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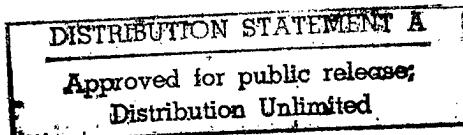
# **JPRS Report**

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## **China**

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# China

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13 October 1992

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## NORTHEAST ASIA

### Ji Pengfei Meets Former Japanese Prime Ministers

OW2109162592 Beijing XINHUA in English  
1606 GMT 21 Sep 92

[Text] Tokyo, September 21 (XINHUA)—Former Chinese Foreign Minister Ji Pengfei met here today separately with Kakuei Tanaka and Yasuhiro Nakasone, two former prime minister of Japan.

Ji told Tanaka that Chinese people would never forget his great deed in normalizing relations between China and Japan 20 years ago.

With help of his daughter, Tanaka indicated that his visit to China last August had fulfilled his wishes.

In his meeting with Nakasone, Ji said that good Sino-Japanese ties is not only helpful to both China and Japan, but also conducive to peace in Asia and the world as a whole.

Nakasone noted that China and Japan, as large countries in Asia, have important missions. The two countries should be friendly from generation to generation.

Ji, member of the Standing Committee of the Central Advisory Commission of Chinese Communist Party, is in Japan for the opening ceremony of an exhibition on China's late Premier Zhou Enlai.

### Cooperation With Japan in Science, Technology

OW1909141992 Beijing XINHUA in English  
1326 GMT 19 Sep 92

[Text] Beijing, September 19 (XINHUA)—China has invited about 1,000 experts and specialists from Japan while sending 3,400 trainees to Japan in the past decade, a Chinese Government official said here today.

Hui Yongzheng, vice-minister of the State Science and Technology Commission, said that the Chinese and Japanese Governments have made great progress in technological cooperation through the Japan International Cooperation Agency (JICA).

Since 1980 technological cooperation has spread throughout China, covering industry, agriculture, transportation, medicine, and environmental and social development.

At the same time, Hui added, Japan has provided China with equipment valued at 2.55 billion Japanese yen.

The Hebei Cancer Check Center is equipped with Japanese facilities which have diagnosed 63,600 people.

High-yielding paddy rice growing technique is being spread in frigid zones in Heilongjiang Province, Northeast China, with the help of Japanese specialists. It has helped increase rice output.

### Japan's Watanabe Views UN Tasks at General Assembly

OW2309001492 Beijing XINHUA in English  
2319 GMT 22 Sep 92

[Unattributed report: "Japan Determined To Become Political Power"]

[Text] United Nations, September 22 (XINHUA)—Japanese Foreign Minister Michio Watanabe today put forward a series of proposals, leaving the participants in the current U.N. session a deep impression that Japan is determined to become a political power in the world.

Addressing the general debate of the 47th U.N. Assembly here today, Watanabe dealt with three major issues facing the world today, namely: securing peace, responding to non-military threats, and revitalization of the United Nations.

On securing world peace, the Japanese foreign minister, who is also Japan's deputy prime minister, said that in addition to the international community's ongoing efforts toward disarmament of nuclear and chemical weapons, it is also necessary to pay attention to the reduction of conventional weapons. And in this regard, Watanabe said Japan would co-sponsor a resolution at this General Assembly calling for the wide participation of member states in the U.N. register of armaments.

In his speech, Watanabe also called for a Japan-Russia relationship of trust through the conclusion of a peace treaty, which would, Watanabe said, significantly enhance the peace and stability of the region.

On the non-military threats to world peace and security, the Japanese foreign minister cited four major issues, i.e., poverty, environment, refugees and fast population growth.

He said that the United Nations must redouble its efforts to combat poverty in the recognition that economic development also enhances political stability. In this field, the Japanese foreign minister said his country would host an African development conference in 1993.

Regarding the fast population growth, he said that Japan wished to host a meeting in 1994 of eminent authorities on demographic issues prior to the world population and development conference.

On the revitalization of the United Nations, the Japanese foreign minister said that "it is necessary to consider seriously just how the organization should be structured and this effort should include consideration of the functions, composition and other aspects of the Security Council."

"The year 1995, which is the fiftieth anniversary of the United Nations, may prove to be an important juncture in this process," Watanabe said.

On the budget deficit, he urged member states to honor their obligations. He added that his country would

submit a resolution to ensure that financial requirements for major peace-keeping operations at the start-up stage would be met without imposing new financial burdens on member states.

In conclusion, Watanabe said that Japan would continue to work toward world peace by contributing personnel and financial assistance to the U.N. and by enhancing its political role.

## NEAR EAST & SOUTH ASIA

### Grant Given Nepal To Build Cancer Hospital

*OW0909220492 Beijing XINHUA in English  
1521 GMT 9 Sep 92*

[Text] Kathmandu, September 9 (XINHUA)—China has agreed to undertake construction of a cancer hospital in Nepal with its grant assistance, according to letters exchanged between the two sides today.

The proposed hospital, to be build in Bharatpur of Chitwan District, southern Nepal, will have 100 beds and a floor space of 9,000 square meters, including the quarters for doctors and nurses.

China will also provide general medical apparatus to the hospital.

The grant assistance was agreed upon during Prime Minister Girija Prasad Koirala's visit to China in March this year and the hospital construction was decided at the end of a survey by a Chinese doctors group.

The prime minister received the group on August 24, when he expressed gratitude to the Government of China and her people for their cooperation in the establishment of a cancer hospital in Nepal.

### Nepalese Minister Affirms Tibet Part of China

*OW0909140092 Beijing XINHUA in English  
1333 GMT 9 Sep 92*

[Text] Kathmandu, September 9 (XINHUA)—Nepalese Home Minister Sher B. Deupa said here today that Nepal believes Tibet region is a part of China and will never allow any people to engage in activities against China in Nepal.

The home minister made this remark while meeting with chairman of the Tibet Autonomous Region of China Gyaincain Norbu, who is on a goodwill visit to Nepal at the invitation of the Nepalese Government.

Gyaincain Norbu expressed his appreciation to the home minister for what Nepal has done in this regard and also for the help extended by the Nepalese Government to the Tibetans living in Nepal.

"As China is a friendly country to Nepal and has sincerely helped Nepal in developing its economy, we would like to ensure you that we'll further our cooperation with China's Tibet region in checking unlawful border-crossing, drug-trafficking and smuggling," Deupa told Gyaincain Norbu.

The Tibet chairman told the minister that encouraged by Deng Xiaoping's recent talks in southern China, Tibet region is deepening its reform and opening to the outside world so as to improve people's living standards. "We've got many things to do, but the most important is to keep stability in Tibet region. We could not achieve more without stability," Gyaincain Norbu stressed.

Deupa agreed to the chairman's view, saying that "Nepal also needs stability to develop its economy and we hope Tibet region could continue to maintain its stability."

A stabilized Tibet region would benefit both Nepal and China's Tibet, he added.

### **Epistemological, Metaphysical Assumptions Behind 'Leftism'**

*HK1809081892 Beijing JINGJI GUANLI in Chinese No 6, 5 Jun 92 pp 4-9*

[Article by Wang Haibo (3076 3189 3134), edited by Lin Daojun (2651 6670 0689): "Again Discussing the Further Liberation of Thought"]

[Text] In my article "On Further Liberating Thought" (Footnote 1—see JINGJI GUANLI 1992, No. 5), I engaged in a brief discussion of the correctness and importance of further liberating thought in speeding up reform and promoting development. This article is intended as a general exploration of the specific contents of further liberating thought. I believe that this is an important aspect of study of the series of important expositions by Comrade Deng Xiaoping on building socialism with Chinese characteristics, and is also an important aspect of implementing the spirit of the recently-convened plenary session of the Political Bureau of the CPC Central Committee.

#### **1. Two Major Elements of Further Liberating Thought**

According to Comrade Deng Xiaoping's ideas, "liberating thought is ensuring that thought is in accord with reality and that the subjective is in accord with the objective. That is, it is seeking truth from facts." "Only by liberating our thought will we be able to correctly use Marxism-Leninism-Mao Zedong Thought for guidance....and correctly deal with the relations of production and the superstructure that are not in accord with the swift development of the productive forces." "Only thus can our socialist modernization be smoothly carried out and can our party's Marxist-Leninist-Mao Zedong Thought theory be smoothly developed." (Footnote 2—*Selected Works of Deng Xiaoping (1975-1982)*, People's Publishing House, 1983 edition, pp 131, 133, 323) All of these issues are issues that affect the future and fate of the party and the state. In this sense, liberating thought is not only a question of ideological line, but also a political question.

In terms of the ideological line, liberating thought, with the seeking of truth from facts as its essential component, is the antithesis of doctrinairism and metaphysics. This point is in accordance with the realities of our country since the beginning of the reforms.

Since the beginning of the reforms in our country, the antithesis of the liberation of thought as a political issue has mainly been the "leftist" tendency. However, in some years (such as 1979, 1986, and especially 1989), the antithesis was constituted by the rightist tendency. In 1981, Comrade Deng Xiaoping said: "Liberating thought involves opposing both 'leftism' and rightism. The putting forward of the liberation of thought by the third plenary session was aimed at the 'two whatevers,' and its focus was on correcting 'leftist' mistakes. Later rightist trends also appeared, and of course they needed to be corrected." "We cannot ignore 'leftist' mistaken ideas. Their roots are very deep. The focus must be on

correcting the 'leftist' tendency in guiding ideology. However, this alone is insufficient to completely resolve the problem. At the same time, it is also necessary to correct rightist tendencies." (Footnote 3—ibid., p 334) Recently, on the basis of the series of major expositions on building socialism with Chinese characteristics put forward by Comrade Deng Xiaoping in the last few years, the plenary session of the party Central Committee Politburo has also pointed out: "We must be vigilant against rightism, but must mainly guard against 'leftism.'" (Footnote 4—RENMIN RIBAO 12 Mar 92 p 1)

The two aspects of liberating thought noted above are mutually linked. The ideological line serves the political standpoint and is also the source of the epistemology and methodology of the political standpoint. Thus, when talking about the liberation of thought, if we only speak of the first aspect and do not mention the second aspect, we will be ignoring the political soul of liberating thought.

The above two points are only the two major aspects in the liberation of thought at present and not the entire contents. However, this article will only discuss these two aspects of liberating thought—the ideological line and the political question.

#### **2. We Must Be Vigilant Against Rightism, But Must Mainly Guard Against "Leftism"**

Seen from the factors that obstruct reform at present, we must be vigilant against rightism, but must mainly guard against "leftism." This is not an accidental phenomenon, but is determined by a series of factors.

First, under the specific conditions in our country, the "leftist" tendency has very deep roots. Such mistakes have been made for a long period and there is a strong inertia. Thus, it will be difficult to eliminate this tendency in a short period. Also, under certain conditions, the "leftist" tendency might form a "climate" and become a major element obstructing reform.

Second, in 1988, our country experienced economic overheating and imbalance. Some people simplistically held that this was the result of relaxing the centralized planning system, and during the economic improvement and rectification which commenced in 1989, they advocated that the traditional planning system be reinstated. In fact, the problems that occurred in our economic life in 1988 were due to the fact that at the same time that traditional centralized planning was being relaxed, there were no effective regulation, control, and guidance mechanisms or stimulatory and restraint mechanisms being formed at the three links of the government, markets, and enterprises. Thus, not only was the investment inflation mechanism of the traditional system not eliminated, and it was in fact strengthened, but a new consumption inflation mechanism was also formed. This produced overall social demand inflation, including both investment inflation and consumption inflation. Thus, the correct way out would be to

combine economic improvement and rectification with deepening reform, and through economic improvement and rectification, create a quite relaxed economic environment and gradually increase the scope and pace of reform, finally achieving success in the reforms, and basically eliminate the inflation mechanism. If we revived the traditional system, it might for a time be able to force a limited balance in overall economic volume, but it would not be able to basically resolve the problem imbalance in overall volume, and would not have any effect on the problem of imbalance in the industrial structure. Also, after a period of time, a new round of economic inflation will occur, resulting in the economy plunging into cyclical economic imbalance and economic fluctuations. This is not just a theoretical issue, but a fact that has been repeatedly proven in the history of economic development in the several decades since the establishment of the PRC.

Third, in the spring and summer of 1989, our country experienced turmoil and the Beijing region experienced counterrevolutionary rebellion. Some people saw these things as being linked with reform. They even said that reform and opening up "were importing and developing capitalism," and held that the major danger from "peaceful evolution" was posed in the economic sphere. Actually, the foreign origins of this disturbance involved international hostile forces promoting the policy of "peaceful evolution." The domestic origins involved a very small number of persons who obstinately upheld the standpoint of bourgeois liberalization and other hostile forces, who fanned the situation and caused damage. As Comrade Deng Xiaoping noted in June 1989: "This disturbance had to occur sooner or later. This was determined by the international overall climate and China's own specific climate. It had to happen and was independent of man's will." However, at the same time, Comrade Deng Xiaoping also clearly pointed out: "Is the basic policy of reform and opening wrong or not? It is not wrong." (Footnote 5—*Comrade Deng Xiaoping on Reform and Opening Up*, People's Publishing House, 1989 edition, pp 119, 124) In fact, if we had not implemented the policies of reform and opening up, and there had not been a marked improvement in social production, comprehensive national strength, and the people's living standards, it would have been difficult to suppress that disturbance. And, although we had suppressed it for a time, we would not have had the social and political stability that we have seen over the last few years. Of course, some mistakes in reform (such as the failure to firmly crack down on economic criminals, a weakness in education and ideological and political work, and promoting some illegal and corrupt phenomena) did play a definite role in promoting this disturbance. However, the conclusion we should draw from this is that, under the precondition of upholding the socialist orientation, we should speed reform and, in actual work, perfect reform and the various policies and measures related to reform. We should not conclude, as some people have, that we should turn back.

Also, after this disturbance, it was undoubtedly correct to reveal the policy of "peaceful evolution" being pursued by hostile international forces, and to criticize the ideological tide of bourgeois liberalization and its rightist mistakes. However, unfortunately, as has happened in the past, the situation occurred where, in various respects and to differing degrees, one tendency obscured another and, while the rightist mistakes were being criticized, various "leftist" trends, including the obstructing of reform, used the opportunity to raise their heads. These problems were related to confused concepts that hold that "left" is better than right, concepts that have long existed and that were repeatedly criticized after the smashing of the "Gang of Four," but were not completely cleared away. They were also connected to the pursuit of various interests.

Fourth, at the end of the 1980's and the beginning of the 1990's, dramatic changes took place in the socialist countries of Eastern Europe and the Soviet Union. These countries thereby lost the achievements realized during the socialist revolution, lost the dictatorship of the proletariat and, on the economic level, restored the capitalist road. Some people say that this phenomenon was brought about by reform, and their conclusion is that we should reverse the road we are on. Some of these viewpoints show an erroneous understanding of the situation of reform in the Soviet Union and also confusion about the differences in principle between our country's reforms and those of the Soviet Union. In the 1930's, the Soviet Union established a highly-centralized economic structure. For a time, this brought high-speed growth to the Soviet economy (and especially to heavy industry) and formed the material base on which the Soviet Union achieved victory in the war against fascism. Their achievements cannot be denied. However, after WW II, this structure became increasingly unsuited to the demands of the socialization of production and the development of the commodity economy. Although the Soviet Union put forward the question of reform in the second half of the 1950's and the early part of the 1960's, because the road of reform was incorrect, right up to the disintegration of the Soviet Union in 1991, there had been no change in the situation in which in the national economy, the state-owned economy was in the primary position. According to calculations by relevant experts, at the end of 1990, close to 95 percent of the fixed assets of the Soviet Union's industry were still centralized in the state-owned economy. Thus, the decline in the economic growth rate resulted in the people's losing faith in this structure and in the socialist system, thereby producing a serious economic and political crisis. This was one of the very major internal factors allowing the hostile international forces to succeed in pursuing their policy of "peaceful evolution." In 1985, after Gorbachev came to power, in a situation where economic reform had failed and there was no way out, he switched to political reform. This political reform was completely in accord with the demands of hostile Western forces. A multi-party, parliamentary system was greatly promoted, while the leading position of Marxism

and the Communist Party as the party in power and the dictatorship of the proletariat were all discarded. This opened the road for the Soviet Union to restore capitalism. Thus, the disintegration of the Soviet Union was certainly not a result of the reform of the traditional economic structure, but the result of not carrying out reform for a long period, or not truly carrying out effective reform, and was the outcome of political structural reform which completely goes against the socialist orientation. In these respects, China's situation is essentially different from the situation in the Soviet Union. In brief, our country's reform (including economic and political reform) is being carried out under the precondition of upholding the four cardinal principles. Although rightist mistakes have appeared in some years, they have been swiftly corrected in accordance with socialist principles. Furthermore, our country's economic reforms have realized great achievements, and there has been a very great improvement in social production, comprehensive national strength, and the people's living standards. Thus, the reforms have been strongly endorsed by the masses.

**Table 1 - Comparison of Average Annual National Income Growth of China and Soviet Union (Unit: percent)**

Years	China	Soviet Union
1950-1978	6.0*	7.7
1979-1990	8.4	2.8

Sources of data: *Statistical Yearbook of China (1991)* pp 34, 824.

"Abstract of International Economic and Social Statistics (1989)," China Statistical Publishing House, 1990 ed., p. 43.

"International Economic and Social Statistical Data (1950-1982)," China Financial and Economic Publishing House, 1985 ed., p. 38.

\* China's figures are for the period 1952-1978.

From Table 1 we can see that over the period 1950-1978, the Soviet Union's national income grew at an average annual rate of 7.7 percent, 1.7 percentage points higher than the figure for China. However, in the period 1979 to 1990, following China's institution of reforms, the average annual growth rate of China's national income rose to 8.4 percent. That of the Soviet Union was only 2.8 percent, 5.6 percent lower than the figure for China. If we say that the data in Table 1 provides a powerful economic explanation of the above-noted situation, the fact that the political disturbance in 1989 was pacified without producing the sort of result that occurred in the Soviet Union provides us with a powerful political explanation.

Thus, in liberating thought at present, we should mainly guard against the "leftist" tendency. Of course, in a situation where hostile international forces are stepping up their policy of "peaceful evolution" and the ideological tide of bourgeois liberalization domestically has been criticized but not eradicated (and will not be

eradicated for quite some time to come), we must also increase our vigilance against rightist trends.

### 3. Further Liberating Our Thought From the Fetters of Doctrinairism and Metaphysics

In looking at liberating thought as a political issue, its main antithesis has already been noted above. In looking at liberating thought as an ideological line, its main antitheses are doctrinairism and metaphysics. As noted above, an ideological line is the source of a political viewpoint, epistemology, and methodology. Thus, if we put forth the question from the angle of epistemology and methodology, when we speak of mainly having to liberate thought from the fetters of "leftist" ideology, it mainly refers to liberating it from the fetters of doctrinairism and metaphysics.

Although since the Third Plenary Session of the 11th CPC Central Committee doctrinairism and metaphysics have been repeatedly criticized, this ideology still appears today in many spheres, sometimes in tenacious and prominent manifestations. For example, in recent years, on the question of the relationship between planning and the market, which forms the core of economic structural reform, in some of the most influential newspapers and magazines throughout the country the idea has been widely spread that in deploying the means of social production, we should use planning as the main part (below referred to as the "theory which has planning as the main aspect"). This can be seen as an obvious example of such thinking. Because such a viewpoint concerns the key question of economic structural reform, it is worthy of our attention and analysis.

In the latter half of the 19th century, Marx and Engels envisaged that after proletarian political power was realized in the developed capitalist countries at the time, it would be possible to completely achieve ownership of all means of production by the whole society, and that commodity production would die out. The mandatory planning system which excluded regulation through market mechanisms instituted by the Soviet Union in the 1930's, had this theory as its foundation. The traditional structure established after the founding of New China, although in part based on the management systems in the bases and liberated areas during the new democratic revolutionary period, was mainly inherited from the Soviet Union's structure. However, here the problem lies not with the founders of Marxism. They were restricted by the limitations of the historical conditions at the time and it is not strange that they put forward such ideas. It is more important to note that they repeatedly warned communists that their theories were not doctrines, but guides to action. Thus, the problem lies with later persons who, on this question, made the mistake of doctrinairism.

Under the guidance of the correct ideological line of seeking truth from facts, which was re-established by the

Third Plenary Session of the 11th CPC Central Committee, we have gradually cast off the fetters of doctrinairism. In 1983, the report of the party's 12th congress provided many important principles for advancing our country's economic structural reform. It also put forward the "principle of planning as the main part and regulation through market mechanisms as a supplement." (Footnote 6—*Collected Documents of the 12th National Congress of the CPC*, People's Publishing House, 1982 edition, p. 24) In the past, the market had been completely negated, but at this time regulation through market mechanisms was put forward as a supplement. This was indeed an advance, but this principle could not essentially free the economy from the traditional theory and structure.

The Third Plenary Session of the 12th CPC Central Committee, convened in 1984, achieved a major breakthrough in this respect, pointing out: "In reforming the planning system, it is first necessary to break through the traditional concept that the planned economy and the commodity economy are opposed to each other, and to clearly understand that a socialist planned economy must be consciously based on and utilize the law of value. It is a planned commodity economy based on public ownership." (Footnote 7—"Decision of the CPC Central Committee On Economic Structural Reform," People's Publishing House, 1984 edition, p. 17) This abolished the formulation which had planning as the main part and the market as a supplement. The report of the 13th Party Congress in 1987 took a further major step forward, when it clearly pointed out: "The structure of the socialist planned commodity economy should be a structure in which there is an innate unity between planning and the market. On this question, we need to make clear several basic concepts: First, the essential difference between a socialist commodity economy and a capitalist commodity economy is that the ownership base is different. The socialist commodity economy established on the basis of public ownership provides the possibility for the coordinated development of the national economy to be consciously maintained throughout the entire society. Our task is to excel at using the two forms and measures of planned regulation and regulation through market mechanisms in order to turn this possibility into a reality. The development of a socialist commodity economy is inseparable from the development and perfection of the market, but the use of the market is not equivalent to engaging in capitalism. Second, we must establish planning work on the basis of commodity exchange and the law of value.... Third, the range of the roles of planning and the market will extend over the whole society. The new economic operational mechanisms should, speaking overall, be a mechanism where 'the state regulates the market and the market guides enterprises.'" (Footnote 8—"Collected Documents of the 13th National Congress of the CPC") In this way, on the question of the relationship between planning and the market, the long-term fetters of doctrinairism were essentially discarded.

However, in recent years, we have again seen a flood of the "theory which has planning as the main aspect." On the basis of the above analysis, we can certainly see this phenomenon as a revival of doctrinairism and as a manifestation of the dogmatism of doctrinairism.

However, this is only one side of the doctrinaire method of thought which is manifested in the "theory which has planning as the main aspect." That is to say, on the basis of the ideas of the founders of Marxism, they deny that under socialist conditions there can be a commodity economy and regulation through the market. On the other hand, the "theory which has planning as the main aspect," also founded on the ideas of the founders of Marxism, sees planning as something peculiar to a socialist economy, and they believe that planning does not exist under capitalist conditions.

It should be affirmed that in Marx's time, this view had a fairly factual basis. In the latter half of the 18th Century, the classical political economics founded by Adam Smith advocated the implementation of a laissez-faire market economy. Under the influence and guidance of this theory, capitalist countries implemented non-interventionist policies in times of peace, and only controlled the economy in times of war. There was no regulation through planning. However, after the economic crisis which shook the capitalist world from 1929 to 1933, the objective economics of Keynes appeared. After World War II, in differing forms, degrees, and ranges, this theory was widely applied in capitalist countries, and played a positive role in the development of the capitalist economy. Of course, after the war, capitalism realized unprecedented development, and there were many reasons for this. Of these, the most important included: The application of achievements in the new scientific and technological revolution and, related to this, there was a growth in relative surplus value; there was plundering of cheap energy resources and materials from developing countries, and so on. However, in bourgeois countries, macroeconomic management (including planned management) has clearly been an important factor. This point was manifested particularly clearly in postwar Japan. After World War II, on the basis of a market economy, Japan gradually created a planning structural system in which medium- and long-term plans, annual plans, basic economic plans, and various sectoral plans were combined, and to a very great degree, these were fully implemented. Thus, as compared with other major capitalist countries, Japan's economic performance was quite good, economic growth was quite high, and it had a quite strong capacity to withstand the various major pummelings (such as the two oil crises) which occurred in the international economic sphere. (Footnote 9—See my *Selected Works of Wang Haibo*, Shanxi People's Publishing House, 1990 edition, pp 726-738) Given such a situation, it is too unrealistic to still consider, in accordance with Marx's idea, that planning is something peculiar to a socialist economy, and that capitalist society does not have planning. This can be seen as another manifestation of the stubbornness of doctrinairism.

Doctrinairism is only one of the epistemological and methodological sources of the "theory which has planning as the main aspect." Another source is metaphysics. That is to say, there is only recognition of the differences between a socialist commodity economy and a capitalist commodity economy, and there is a refusal to acknowledge the common points that exist between the two in terms of planned regulation and regulation through market mechanisms. As socioeconomic systems, socialism and capitalism have essential differences. The essential characteristics of a socialist economy are: It implements public ownership of the means of production and distribution according to work, eliminates exploitation and polarization, and finally achieves prosperity. On these basic points, the socialist economic system is essentially different from the capitalist economic system. However, in terms of planned regulation and regulation through market mechanisms, the two have common aspects. Clearly, regulation through market mechanisms had its initial origins in the capitalist economy, while planned regulation had its ultimate origins in the socialist economy. However, this certainly does not mean that regulation through market mechanisms is the sole preserve of the former or that planned regulation belongs exclusively to the latter. Speaking in a general sense, the common base given rise to by regulation through market mechanisms and planned regulation is developed commodity production on a material base of socialized large-scale production. On this basis, two economic laws can play a role: The first is the law of value, and the second is the law of proportionate development. This is an objective process independent of man's will. Essentially, regulation through market mechanisms is a reflection of the law of value, while planned regulation is a reflection of the law of proportionate development. Thus, although capitalist countries recognized only the role of regulation through market mechanisms for 100 or 200 years, and negated state intervention in and planned regulation of economic life, the gradually worsening economic crises culminating in the worldwide economic crisis of 1929-1933 resulted in the capitalist countries having no option but to begin to implement state intervention in economic life and planned regulation. In the same way, socialist countries had for decades only recognized planned regulation and negated the role of regulation through market mechanisms. However, the cyclical economic fluctuations and the decline in performance caused many countries after the middle of the 1950's to recognize and gradually implement regulation through market mechanisms. Thus, the metaphysical mode of thought implicit in the "theory which has planning as the main aspect" is first manifested in the denial that regulation by market mechanisms and planned regulation have a common base—developed commodity production. Thus, they deny that the two can coexist in a capitalist economy which has developed commodity production or can coexist in a socialist economy which has developed commodity production.

This metaphysical way of thinking is also manifested in that it only recognizes the contradictions between regulation through market mechanisms and planned regulation, exaggerates this contradiction into something in which the two cannot coexist, and completely denies the unity of the two. This is one-sided, because: 1) If we make an abstract theoretical analysis, then in an essential sense, planned regulation proceeds from the overall needs of the national economy, while regulation through market mechanisms proceeds from the partial needs of enterprises. However, the two are not without aspects of unity. This is particularly so under the conditions of socialist public ownership, where although there often occur contradictions between the overall needs and interests of the national economy and the partial needs and interests of enterprises, they are essentially in unison. 2) Planned regulation has superiorities, but also has limitations and negative effects. However, both the full realization and bringing into play of the superiorities of planned regulation and the effective overcoming of its limitations and negative effects requires reliance on the role of regulation through market mechanisms. In the same way, regulation through market mechanisms has its superiorities. But it also has its limitations and negative effects. Both the full realization and bringing into play of the superiorities of regulation through market mechanisms and the effective overcoming of its limitations and negative effects must rely on the role of planned regulation. (See my "Several Thoughts on the Relationship Between Planning and the Market" in ZHONGGUO SHEHUI KEXUE YUAN YANJIUSHENGYUAN XUEBAO 1991, No. 6, pp 31-42) Thus, even though there are contradictions between planned regulation and regulation through market mechanisms, there also are commonalities and a relationship of mutual dependence.

The above analysis looks at this issue in a general sense. This is not to say that the roles of planned regulation and regulation through market mechanisms are not different in a socialist commodity economy and a capitalist commodity economy. For example, under capitalist conditions, regulation through market mechanisms is in accordance with the requirements of individual capitalists in seeking surplus value, while planned regulation accords with the economic and political requirements of the entire bourgeoisie. Under socialist conditions, although regulation through market mechanisms and planned regulation accord with enterprise interests and national economic interests respectively, because the two are essentially consistent, these both have the functions of developing the socialist social productive forces, increasing the comprehensive national strengths of socialist countries and raising the standard of living of the people.

The above analysis of the epistemological and methodological sources of "leftist" thought further explains how to liberate ourselves from the "leftist" ideological fetters, and is intended as a guide in accelerating the pace of reform.

Of course, doctrinairism and metaphysics not only can become the epistemological and methodological sources of "leftist" ideology, but can at times become the epistemological and methodological sources of rightist ideology. For example, the ideological tide of bourgeois liberalization which flooded our country at the end of the 1980's was related to the fact that some people took some concepts of bourgeois scholars which were not suited to our national conditions and considered them as universally applicable doctrines. It was also related to the fact that these people only recognized some common points between the socialist commodity economy and the capitalist commodity economy and denied the essential differences between the two in terms of their socio-economic nature. Although the "leftist" tendency is the main mistake we have to guard against, we must not ignore the rightist tendency and its epistemology and methodology.

### **Article Analyzes Capitalist Things That Can Be Used**

*HK1908113192 Beijing GUANGMING RIBAO  
in Chinese 3 Aug 92 p 3*

[Article by Hong Wu (7703 2976), Shu Cun (2562 2625), and Shi Ming (0013 2494): "Probe for Law Concerning the Utilization of the Fruits of Capitalist Civilization From Practice"]

[Text] Generally speaking, all fruits of civilization created by capitalism may also be used and absorbed by socialism. But truth is concrete, and concrete analysis of concrete things is the soul of Marxism. Hence, the fruits of capitalist civilization should be analyzed and treated concretely.

**First of all, by their nature, the fruits of capitalist civilization may be classified as characterless, neutral, and "capitalist" in nature, and they may be used by socialism appropriately and individually.**

Concretely speaking, the first type of the fruits of capitalist civilization carries no class nature by itself, and includes science and technology, production tools, material equipment, and others. Type two are the neutral things such as commodity economy, market, shares, and stocks. They are not the exclusive possession of a certain social ideology and may exist in different societies. Type three is capitalist in nature and includes capital and the labor employment system. The first kind has no class nature and may be directly absorbed and utilized. The second type is neutral and may also be utilized. They are economic forms which exist by transcending different social ideologies. For instance, the commodity economy existed long before capitalist society came into being. Therefore, it is not patented under capitalism, and may also be utilized by socialism. The market comes along with the commodity economy. Whether a simple barter of goods or exchanges with money as the medium, it has to be conducted through the market. Shares are the product of a highly developed commodity economy,

while the shareholding system is the concentrated manifestation of the forms of production and organization, operations, and fund raising under conditions dictated by a modern commodity economy. The shareholding system is not the unique product of capitalism, and socialism may utilize it entirely to give full play to the role of production and organization, economic management, and fund raising in a bid to promote the growth of productive forces. Shares in themselves are neutral, and the share owner determines the nature of the share holding system. Under socialist conditions, the composition of shares should in general be kept under control. In China, units holding shares are principally state-owned assets and publicly owned enterprises, thus ensuring the shareholding system's socialist direction. A question worth studying is: Can the "capitalist" things of the third type be utilized? Since our country is in the initial stage of socialism, its productive force is fairly backward and unevenly developed, so it is necessary to allow the existence of other forms of economic sectors under the premise of upholding the principal position of the socialist public ownership system. Since the introduction of reform and opening up, we have imported some "foreign-funded" enterprises as we allow the presence of a private economy within the country. While these enterprises are of a capitalist or semi-capitalist nature, we should allow them to exist and to develop to a certain extent as long as they are favorable to the development of the productive forces in a socialist society. Practical conditions show this to be beneficial.

Secondly, looking from the different horizontal fields, the fruits of capitalist civilization may be classified as a material civilization, spiritual civilization, and political civilization. Socialism may use them separately and appropriately.

Civilization is a system made up of three components: material, spiritual, and political civilization. Material civilization constitutes the state of progress in human society in terms of material production and material life. Capitalism has created a highly developed material civilization. Naturally, we should absorb and utilize it. Spiritual civilization represents the progress made by mankind in spiritual production and life. It is illustrated in the development in various endeavors such as education, science, and culture, and in the upgrading of people's moral standards. The capitalist spiritual civilization is the crystallization of the historical experience of the people of Europe and America in opposing feudalism as well as their experience in carrying out large-scale socialized production and spiritual production under the private ownership system. Decidedly, it possesses dual distinctions: It has the unique feature of opposing the feudalistic interdependent relationships and of upholding a high degree of socialization and modern production, and at the same time, it also has the unique feature of protecting the dominance of private ownership and of serving the bourgeoisie. It thus requires us to separate the wheat from the chaff and to absorb things critically. It is necessary to actively absorb advanced

natural science as well as progressive culture and education. Social science has a very strong class nature, and in terms of theoretical structure and guiding ideology, it belongs to capitalism. We can only borrow certain useful portions, but should resist and criticize the negative elements permeating it, such as the bourgeoisie's outlook on the world, history, politics, life, and values.

We should also concretely analyze, select, and use the fruits of capitalist political civilization. Being at the core of the entire superstructure, the capitalist political system is an important tool used to protect the capitalist private ownership system's economic foundation and to oppress the people. Socialist countries absolutely cannot copy the West's "separation of the three powers," but may absorb and borrow its implied principle of separation of power and of checks and balances. In summing up the experience of the Paris Commune, Marx first exposed and repudiated the real essence of the separation of the three powers and of parliamentary democracy. At the same time, he also pointed out the rational elements that it manifested. "While the merely repressive organs of the old governmental power were to be eliminated, its legitimate functions were to be wrested from an authority usurping preeminence over society itself, and restored to the responsible agents of society" (*Selected Works of Marx and Engels*, Volume 2, p 376). The rational division of and checks on power is a necessary requirement in the growth of democratic politics in any society; it is also the necessary requirement in socialist democratic politics. In addition, capitalism's election, judicial, legal, media, and civil service systems all contain certain things with a shared pattern in democratic politics, and they should be critically inherited.

Next, from the different vertical levels, the fruits of capitalist civilization may be classified according to the following three levels: material objects, mechanisms, and concepts. Socialism may utilize them separately and appropriately.

The material objects contained in the fruits of capitalist civilization are the tangible objects made up of production tools and material equipment, and reflect advances in the productive forces. Mechanisms refers to management means, operational mechanisms, and production organization. It is situated in between tangible objects and intangible concepts and forms the pillar of the entire modern economic operations of capitalism. Concepts refers to ideological concepts and ideology, and is abstract and intangible as well as the highest level of civilization. Naturally, the first level forms the major feature which we utilize. Capitalist management mechanism and means have a dual character. On the one hand, they illustrate the common laws governing the organization and management of big socialized production; on the other hand, it also illustrates the relationship involved in capitalist production. We should see the side belonging to society as well as the side belonging to nature, and we should also analytically absorb and utilize them.

In the process of developing a commodity economy, capitalism formed a whole series of modern ideas and concepts which may be categorized into three series: One is centered on the interest concept and includes the concepts on value, benefits, and markets; the second is centered on the concept of endeavor and includes the concepts of competition, efficiency, information, and exploration; and the third is centered on the concept of democracy and includes the concepts of freedom, equality, and democracy. Absorbing the valuable features of these concepts can help overcome and dilute the concepts of small production, product economy, bureaucratic bookishness, egalitarianism, and clannishness which still exist in our country. But negative ideas, like self-interest, money worship, opportunism, cheating, and intrigue, should be resisted and denounced.

A concrete analysis of the analytical use of capitalism by socialism from various levels and angles was made above. How then can the fruits of capitalist civilization be better utilized in practice to develop socialism? We believe that here lies a question of understanding, that is: A regular pattern may be deduced and followed in the use of the fruits of capitalist civilization. A few ideas will be introduced here as a means to start the ball rolling:

1. The width and breadth in the absorption and utilization of the fruits of capitalist civilization is decided by the development in the practice of socialism. When the Soviet regime was newly established, it was confronted with the heavy task of rebuilding the economy. Lenin particularly stressed the use of scientists and technicians, technology and equipment, and the capital of capitalism. When the wartime communist policy turned into the New Economic Policy, a commodity economy was revived to a certain extent. Lenin emphasized that the advanced modes of operations and management experience of capitalism should be absorbed and utilized, that enterprises should implement an individual responsibility system, and that Communist Party members should learn to do business and to master business operations. In China, efforts to absorb and utilize the fruits of capitalist civilization, like capital, technology, and facilities, only started after our party shifted the focus of work to economic construction. As reform of the economic system gradually takes shape, the capitalist countries' management experiences naturally became the focus of absorption and utilization in coordination with efforts to transform the enterprise operational mechanisms. As reform of the political system advances, absorption and emulation of the rational political systems drawn from the capitalist political civilization will naturally be placed on the agenda. The order of precedence in the absorption and utilization of the fruits of capitalist civilization also follows a certain law. Horizontally speaking, the fruits of material civilization is often absorbed first before those of political civilization are gradually emulated. Vertically speaking, production tools and scientific and technological findings with productive forces as the core are usually absorbed and utilized first before the management methods and modes of operations are gradually absorbed and borrowed.

2. The means adopted to absorb and utilize the fruits of capitalist civilization are becoming increasingly diversified, exploratory, and international. Lenin once proposed that several forms of state capitalism like the rent system, leasing system, joint venture, and distribution and agent system be used as the means to absorb and utilize capitalism. So far, the ways we use to absorb and utilize the fruits of capitalist civilization have become increasingly more varied. They include: foreign trade, importation of technology, utilization of foreign capital, exchange of skilled personnel, establishment of special economic zones, open coastal cities and coastal economic development zones, contracting of land development to foreign businessmen, and establishment of bonded zones. With the deepening of the reform and opening up, ways and means used to absorb and make use of the fruits of capitalist civilization become more and more exploratory. For example, the Hainan Yangpu-style of contracting land development to foreign businesses, stocks and shares all require exploration and experiments. As China steps up its integration into the world, GATT membership will become inevitable, while it stands to reason that our foreign trade, foreign currency management, tariff, and exchange rate systems will have to undergo reform. We will also absorb and borrow the fruits of capitalist civilization more and more along the lines of international practice and customs and of accepted world principles, and thus adopt more and more international ways and means.

3. The degree of absorbing and using the fruits of capitalist civilization is often determined by the degree of the people's emancipation of the mind. While the absorption and utilization of the fruits of capitalist civilization is closely related to the developments in the international situation, it is determined by the degree of the people's emancipation of the mind. It can be said that at times when the mind is fairly more emancipated, then the determination to absorb and utilize the fruits of capitalist civilization is greater while the measures adopted are also more forceful, and vice versa. When the first Soviet regime was encircled by a sea of capitalism, Lenin, despite being in an isolated island, still took steps to make use of capitalism and develop socialism. On the other hand, at a time of rapprochement in the international situation and rapid progress in science and technology in the 1960's and 1970's of this century, guided by the "leftist" ideas of "preferring socialist grass to capitalist seedlings," we looked upon the importation of new technology and new facilities as the pursuit of "slavish comprador philosophy" and of "worship of foreign things," causing our country to miss excellent opportunities and the economy to stagnate, and further widening the gap between China and the West in terms of the level of productive forces. Since the Third Plenary Session of the 11th CPC Central Committee, the big discussion on the criteria for judging truth became the hallmark of the emancipation of the mind and served as the prelude to the utilization of the fruits of capitalist civilization in the course of reform and opening up. With the further emancipation of the mind, our country will

gradually expand and deepen the scope and degree of using the fruits of capitalist civilization, and thereby vigorously promote the development of our economy and step up the pace of socialist modernization.

4. In absorbing and making use of the fruits of capitalist civilization, it is necessary to oppose the two erroneous ideological tendencies of blind rejection of everything foreign and of total emulation. Looking at the history of our country's socialist construction, "leftist" tendencies prevail on the question of absorbing the fruits of capitalist civilization and are manifested as "parochial arrogance," blind rejection of everything foreign, and refusal to accept all the fruits of civilization from the West. This ideology appears to be "revolutionary" but is in fact extremely dangerous. At the same time, it is also necessary to be alert against rightist tendencies which are presented principally as blind worship of the West, maintaining that everything in the Western world is good and advocating total Westernization and copying and transplanting the Western model. If this tendency is allowed to proliferate, it will shake the socialist direction of our country and bring about losses to our country's socialist construction and endeavors. We should sum up the lessons of history, emancipate the mind, seek truth from facts, and boldly and cautiously absorb the fruits of capitalist civilization to contribute to socialism's flourishing growth.

### **Importance of Learning From Capitalist Experience**

*HK2008041492 Beijing QIUSHI in Chinese No 12, 16 Jun 92 pp 12-14, 15*

[Article by Zhang Xiaolin (1728 2556 2651): "Boldly Absorb and Draw On All the Achievements Created by Human Society—Studying Comrade Deng Xiaoping's Important Talks"]

[Text] During his recent inspection tour of several provinces and cities of south China, Comrade Deng Xiaoping emphatically pointed out that if socialism wanted to gain advantages comparable to capitalism, it must boldly absorb and draw on all achievements created by human society, absorb and draw on advanced operational and managerial methods that reflect laws governing modern socialized production, including those of developed capitalist countries. This is a scientific conclusion of Marxism and an important principle for building socialism with Chinese characteristics. Efforts to conscientiously study and understand this principle are of enormous and far-reaching significance in speeding up the pace of reform and opening, developing the economy and striving to achieve socialist modernization as quickly as possible.

Boldly absorbing and drawing on all achievements created by human society, including capitalist society, is an objective requirement for building, consolidating, and developing socialism, and is completely in conformity with the dialectics of history. As a social form superior to

capitalism, socialism was established and developed on the basis of the negation of the capitalist system. However, this negation was not a simple metaphysical negation, but a sublation. In other words, the new things established were more than just a simple rejection of the old, but a negation carried out on the basis of fully absorbing and taking over what was reasonable and useful in the old things. Only by resorting to this kind of dialectical negation can new things be truly established and developed, and old things be truly and thoroughly negated. As Marx and Engels pointed out in one of the many works written in their youth: "History is no more than the orderly succession of one generation by another. Every generation makes use of the materials, funds, and productive forces left behind by preceding generations. For this reason, every generation continues with the activities of its predecessors under completely changed conditions on the one hand, and changes the old conditions through completely changed activities on the other." (*Collected Works of Marx and Engels*, Vol 3, p 51) The negation of capitalism by socialism should be a dialectical negation. In other words, it must, on the one hand, negate capitalism for its backward relations of production and decadent ideology, and on the other, take over and absorb all the productive forces created by capitalist society, as well as all the ideological and cultural achievements that have scientific value. Only in this way can socialism truly negate capitalism, and only in this way can it truly establish and develop itself, display its nature and significance as a higher social form, and demonstrate its comparable advantages.

On the question of how to handle the relations between socialism and capitalism, the authors of Marxist classics consistently upheld the historical materialist view of dialectical negation. Proceeding from an analysis of the contradiction between the social character of capitalist socialized production and private capitalist ownership, they revealed the trend of historical development that capitalism would inevitably be replaced by socialism, and lashed out at cruel and evil phenomena commonly found in capitalist society. At the same time, they also emphasized time and again that socialism should and must fully absorb and take over all the achievements of capitalist society that are useful to mankind. In his actual practice of leading the establishment and development of socialism, Lenin also pointed out repeatedly that "we must get a hold of the entire culture left behind by capitalism and use it to build socialism. We must get hold of all its science, technology, knowledge, and the arts. Otherwise, we will not be able to improve living standards in communist society." (*Collected Works of Lenin*, second edition, Vol 36, p 48) This tells us clearly and unmistakably that socialism cannot oversimplistically negate capitalism, that its establishment not only must have the productive forces created by capitalism as its premise, but must make efforts to absorb and draw on all the achievements of human civilization created by capitalist society as an important condition for its consolidation and development. Moreover, it must be pointed out that none of the countries

that have triumphed in the socialist revolution to this day was a country with well-developed productive forces to begin with. In these countries, the working class and the broad masses of the people led by the communist party were faced with the pressing tasks of vigorously developing the productive forces, establishing a solid material foundation for the socialist system, and gradually narrowing the economic and technological gaps between them and the developed capitalist countries after seizing political power and assuming control over the basic means of production. Only by completing these tasks without delay will it be possible to demonstrate more and more fully the great vitality and superiority of socialism, and effectively frustrate attempts at peaceful evolution engineered by hostile forces at home and abroad. In order to develop the productive forces and realize socialist modernization as quickly as possible, it is necessary to absorb and draw on advanced science and technology, managerial experience and useful cultural achievements of capitalist society. This is an important reason why we have always been stressing the need to absorb and draw on all achievements created by human society, including capitalist society, in the course of promoting socialist modernization since reform and opening.

As soon as human society came into being, it began the historical process of knowing and transforming the objective world, and continuously created and developed achievements of civilization possessed and enjoyed by all of mankind. Driven by contradictions between the productive forces and the relations of production, and between the economic base and the superstructure, man's struggle to know and change the objective world never ceased while human society underwent the stages of primitive, slave, feudal, capitalist, and socialist societies. Thus, the development and accumulation of human civilization also never ceased. The development of human civilization may be summed up as material, ideological, and cultural progress. There is no denying that since the development of human civilization and the achievements thus created are mainly determined by the level and condition of productivity in history, and take place under given relations of production, they unavoidably bear the imprint of the times as well as specific class flavor or character. In other words, they were expressed in given forms. For example, we talk about the material and ideological and cultural progress of the era of slave society, the material and ideological and cultural progress of the era of feudal society, the material and ideological and cultural progress of the era of capitalist society, and so on. However, regardless of the historical period in which they were created or the specific forms they take, all the achievements of human civilization include aspects that belong to the common wealth of mankind. This is so because human society has always had the common task of understanding and changing the objective world before it. Achievements of civilization created and developed around this common task naturally are considered the common wealth possessed and

enjoyed by all mankind. In their given forms, achievements of civilization that are the common wealth of mankind are of universal significance, and do not lose their value due to time or the dying away of particular classes. They can and must be taken over and continued. Europe during the Middle Ages was generally regarded as in a period of darkness and stagnation under the domination of a feudal autocracy and theocracy. Even under such historical conditions, different sectors still developed and progressed, creating numerous achievements of civilization for all mankind, which were subsequently absorbed and taken over by people in later generations. Activities to understand and change the objective world saw greater leaps and developments during the capitalist era. Marx and Engels said in "The Communist Manifesto" written in 1848: "The bourgeoisie historically has played a most revolutionary part." It smashed the shackles of feudalism that fettered the development of the productive forces. "The bourgeoisie, during its rule of scarcely 100 years, has created more massive and more colossal productive forces than have all preceding generations together." Capitalist society created large-scale socialized production which had no parallel in history, as well as a corresponding civilization. Thus, we must realize that capitalist society is a society with exploitation of man by man, and that capitalist production has the pursuit of capital appreciation as its aim. On the other hand, we must also see that in the course of the establishment and development of capitalism, the feudal natural economy gradually disintegrated, the commodity economy became more and more developed, and mechanized large-scale industrial production became a reality and continuously developed in the direction of socialization. The organizational form and modes of operation and management for modernized big industry that have come about along with the development of capitalism are also the common wealth of human society. Marx once pointed out that capitalist production processes had a dual character, that is, a process of social labor for the manufacture of products and a process of value appreciation for capital. In terms of content, capitalist management also has a dual character. It is "a special function which is generated by the nature of the social labor process and which belongs to the social labor process, but at the same time it is also a function that exploits the social labor process." (*Collected Works of Marx and Engels*, vol 23, p 368) In his discussion of the "Taylor system" created by American engineer Frederick Taylor, Lenin also noted its dual character, pointing out that it was, on the one hand, an ingenious and ruthless means by which the bourgeoisie exploited hired workers, and the "latest achievement" which "embodied the tremendous progress of science," on the other. Under the socialist system, things which meet the needs of socialized large-scale production should no doubt be put into application in the light of reality. We should firmly embrace the concept that negating the capitalist system of exploitation is the historical mission of socialism, while absorbing and taking over all the achievements created by capitalist society is another historical mission of socialism. Only by absorbing and

taking over all achievements created by capitalist society can socialism continuously grow and develop and create a human society with a newer and higher order of civilization on this foundation.

It is true that we used to be overly simplistic and one-sided in the way we approached the question of absorbing and drawing on all achievements created by human society, particularly the achievements of capitalist society. More often than not, we only emphasized, or put greater stress on, the antagonism between socialism and capitalism, and overlooked the fact that as a higher social form, socialism should take over the achievements of human civilization created by capitalism. We only paid attention to the negation of capitalism and were hardly aware of the fact that this negation was a dialectical negation based on absorption and takeover. There are objective as well as subjective reasons for this. Subjectively, our overly simplistic and one-sided understanding of capitalism had a negative impact on our contacts with the outside world and on our efforts to learn from and draw on the strong points of other countries in building socialism. Since the Third Plenary Session of the 11th CPC Central Committee, we have been making an effort to emancipate the mind and seek truth from facts. Proceeding from reality in all our tasks, we have established the general principle and general policy of reform and opening, and strengthened our ties, contacts and exchanges with the rest of the world, including capitalist countries. An important aspect of the task of emancipating the mind and seeking truth from facts is to emancipate ourselves from the previous overly simplistic and one-sided way of viewing capitalism, and boldly absorb and draw on all the advanced science, technology, operational, and managerial means and useful cultural achievements of developed Western countries in order to speed up socialist modernization. We have done a great deal of work and achieved remarkable successes in this regard. However, in keeping with the development of the domestic and international situation, we ought to further emancipate the mind, act more boldly, and accelerate our pace. As long as it is conducive to developing the productive forces of our socialist society, increasing the overall strength of our socialist country, and improving the livelihood of the masses, we should boldly and resolutely absorb and draw on what is advanced and useful in other countries. One should not ask whether these advanced and useful things that we ought to learn from and draw on are "socialist" or "capitalist." They are the common achievements of all mankind, and can be used by capitalist and socialist countries alike.

That we should absorb and draw on all achievements created by human society, including capitalist society, in order to accelerate socialist modernization is a scientific conclusion, one which must also be approached with a scientific attitude and correct state of mind. What we mean by a scientific attitude is that in "absorbing" and "drawing on" things foreign, we must base ourselves on our national condition and the reality of modernization

and must proceed from concrete circumstances. Different countries have their different national conditions. They differ in social, economic, cultural, historical, geographical, and other conditions. Thus, even with regard to advanced and useful achievements of foreign civilizations, we cannot simplistically transfer, copy, and mechanically apply them. We must bear in mind our concrete reality, and undergo a process of continuous experimentation, mixing, and assimilation. Tremendous efforts are also required if we want to apply the advanced and useful achievements of another time and place and turn them into things of our own. We must not overlook or underestimate this fact. What is meant by a correct state of mind is that we must always maintain our national pride and confidence. We must not lose our faith in socialism when the need to absorb and draw on all good things of foreign countries is stressed, thinking that everything foreign is good and everything about us is bad. This is an unduly humble mentality of blindly

worshipping things foreign. It is also a one-sided understanding that does not tally with the Marxist attitude of seeking truth from facts. As regards the tendency and view of "total Westernization," we must be on guard and not let it interfere with our reform and opening up. In reality, many of the proud achievements created by our nation in history need to be continued and carried forward. Not everything about us is backward. There are many outstanding strong points that still need to be upheld. These should be accorded sufficient importance in our efforts to learn from, absorb, and draw on the advanced and useful achievements of foreign civilization. We cannot go to the other extreme by negating our own history and reality. At the same time, we must also resolutely resist the invasion of decadent things from other countries. This is also an indispensable step that promotes and supplements our efforts to "absorb" and "draw on" the achievements of others.

**NATIONAL AFFAIRS, POLICY****CASS Official: Enterprise Transformation Regulations**

*92CE0672A Beijing JINGJI RIBAO in Chinese  
25 Aug 92 p 2*

[Article by Hong Hu (3163 5706), Deputy Chairman, State System Reform Committee: "Deepen Understanding of the Spirit and Substance of 'The Regulations'; Fully Implement All Provisions of 'The Regulations'—An Explanation of 'Regulations on Changing the Operating Mechanism in Industrial Enterprises Under Ownership of the Whole People'" ]

[Text] "Regulations on Changing the Operating Mechanism in Industrial Enterprises Under Ownership of the Whole People," (hereinafter abbreviated to "The Regulations") have been formally promulgated for implementation. This is a major step in the implementation of the "Enterprise Law"; it is a concrete action in carrying out the spirit of the Central Work Conference of September 1991; and it is also an important measure for putting into practice the spirit of Comrade Deng Xiaoping's remarks during his inspection of south China, and "CPC Central Committee Views on the Acceleration of Reform and Widening of the Opening to the Outside World To Move the Economy to a New Stage Better and Faster." This regulation was jointly drafted in accordance with plans of the CPC Central Committee and the State Council, under direction of leading comrades in the State Council, and through the wide-ranging solicitation of views in every regard and repeated validation from the State System Reform Committee, the State Council Economics and Trade Office, and the State Council Legal System Bureau. "The Regulations uphold the line, plans, and policies since the Third Plenary Session of the 11th Party Central Committee, summarize experiences in enterprise reform during the past 13 years—particularly during the past four years—in implementation of the 'Enterprise Law,' and use of the 'Enterprise Law' as a basis for setting the specific goals, principles, and requirements for changing the enterprise operating mechanism." "The Regulations" provide important guidelines for action and legal support for the intensification of enterprise reform. Deep understanding and complete implementation of "The Regulations" to accelerate change in the enterprise operating mechanism, and to give impetus to the entry into the market of enterprises is an urgent task in China's current enterprise reform and reform of the entire economic system.

**Guiding Thought and Principal Basis for Formulation of "The Regulations"**

The "Enterprise Law" calls for the drafting of regulations for its implementation of the "Enterprise Law." This is also a major action that the Central Work Committee called for during 1991 to straighten out large-and medium size state-owned enterprises. In order to carry out the spirit of the Central Work Conference, in

accordance with the written comments of Premier Li Peng and Deputy Premier Zhu Rongji, and in order to increase the vitality of large and medium size state-owned enterprises, regulations were first drawn up to change the enterprise operating mechanism. These were to serve as an integral part of regulations for implementation of the "Enterprise Law." The State System Reform Committee, the State Council Economic and Trade Office, and the State Council Legal System Bureau drafted "The Regulations."

The guiding thought in drawing up "The Regulations" was as follows: to uphold plans and policies since the Third Plenary Session of the 11th Party Central Committee for the reform of enterprises under ownership of the whole people, to give expression to the current requirement to accelerate the pace of reform and opening to the outside world, to spur change in the enterprise operating mechanism in accordance with the "Enterprise Law" requirement for an enterprise system having a distinctively Chinese socialist character that meets needs in the development of a socialist commodity economy, to give impetus to the entry of enterprises into markets, and to realize better and faster development of the national economy.

**1. The principal basis for drawing up "The Regulations" was as follows:**

First, drafting of "The Regulations" was necessary for implementation of the "Enterprise Law." In April 1988, the first meeting of the Seventh NPC passed the "Enterprise Law." This was the first basic law written since founding of the People's Republic for industrial enterprises under ownership of the whole people, and it was also a summarization of successful experiences in enterprise reform during the decade following the Third Plenary Session of the 11th Party Central Committee. The "Enterprise Law" established a distinctively Chinese socialist enterprise system for the present stage that both pointed the way and provided legal support for continued intensification of enterprise reform. During the four years since its promulgation, the "Enterprise Law," has played a positive role in guiding enterprise reform, in increasing enterprise vitality, and in safeguarding enterprises' legal rights and interests. In every jurisdiction, a number of enterprises filled with vigor and vitality have appeared, making full use of the operating autonomy that the "Enterprise Law" bestows, and that have taken the initiative in moving into markets. These enterprises enable us to realize the important role of the implementation of the "Enterprise Law."

Nevertheless, in an overall sense, the state of enterprises under ownership of the whole people is still unsatisfactory. Enterprises still do not have full operating autonomy, and enterprises' operating mechanisms are still unable to meet the needs of the socialist commodity economy. Enterprises still lack sufficient strength for development, and they still have a very long way to go before their administration and management meet the requirements of economic development. Enterprises

economic returns are also rather poor. There are many reasons for these problems; an important one is that the "Enterprise Law" has still not been conscientiously put into practice. The reason for this basically is the lack of regulations for its implementation. Experience since promulgation of the "Enterprise Law" shows that the drafting of regulations for implementation of the "Enterprise Law" is urgently needed for full implementation of the "Enterprise Law."

Article 67 of the "Enterprise Law" provides that "the State Council draw up implementation regulations based on this law." During the drafting process, the problem of whether to draw up comprehensive implementation regulations that include the full substance of the "Enterprise Law" or whether to draw up various separate, associated "joint" regulations was studied and argued. In order to respond to the current new trend toward accelerating the pace of reform and increasing the amount of reform, and in order to proceed from the real needs of enterprise reform, we decided it was best to draft "joint" implementation regulations containing separate provisions. Leading comrades in the State Council finally decided it is currently necessary to focus on stimulating enterprises to enter markets, to increase enterprise vitality, and to improve enterprises' economic returns; consequently, regulations for changing the operating mechanism of enterprises were first drawn up as a principal integral part of the "Enterprise Code" implementation regulations, associated rules and regulations being drafted and perfected later.

Second, drafting of "The Regulations" was necessary in order to carry out the spirit of the Central Work Conference. In September 1991, the Central Work Committee stated that straightening out large- and medium-sized state-owned enterprises was not just a economic problem but a political problem as well that relates to consolidation of the socialist system. This conference completely analyzed the internal and external factors in straightening out large- and medium-sized state-owned enterprises. We believe that, in a nutshell, these factors have four main aspects:

First is improvement of enterprise quality, including personnel quality, technical quality, and management quality. This means stimulating technical progress in enterprises, improving enterprise management, working simultaneously to build both spiritual and material civilization, and doing better ideological and political work; as well as building a "Four Haves" corps of staff members and workers. Enterprise quality forms the material basis for enterprise vitality. Second is a change in the enterprise operating mechanism. An enterprise's operating mechanism determines and controls an enterprise's operation. Changing the enterprise operating mechanism means revising and improving the operational activity of enterprises to enable enterprises to take the initiative in meeting market demand under national macroeconomic regulation and control, to give them operating autonomy, to allow them to be responsible for their own profits and losses, to have them take charge of their own

development, and to limit themselves. An enterprise's operating mechanism is the soul of an enterprise's vitality. Third is reform of the system for state management of enterprises. The mechanism for state management of enterprises determines the enterprises' operating mechanism; therefore, reform of the way in which the state manages enterprises, correctly handling distributions between the state and enterprises is crucial to the improvement of enterprise vitality. Fourth is improvement of the macroeconomic environment and market conditions, including perfection of the macroeconomic regulation and control system, and building and perfecting the market system, the social security system, the social service system, etc., as means of reducing enterprises' social burdens in order to create a fine external environment for changing the enterprise operating mechanism.

Intensification of enterprise reform means reform centering around change in the enterprise operating mechanism, carrying out in a coordinated and integrated way the reform of planning, investment, fiscal, revenue, finance and banking, pricing, material, business, foreign trade, personnel and wage matters.

Third, drafting of "The Regulations" is necessary for the current acceleration of the pace of reform and greater reform. Following Comrade Deng Xiaoping's remarks during his inspection tour of south China, and the Politburo Plenary Session in early 1991, a further emancipation of thinking and rallying of spirit has occurred from the central government to local governments. A fine impetus toward comprehensive intensification of reform has come about in which straightening out large- and medium-sized state-owned enterprises and a widening of the opening to the outside world is the focus. Numerous local governments, trades, and enterprises have actively analyzed their problems and acted boldly to solve them, thereby creating numerous successful experiences. They urgently need laws and regulations to affirm their actions and put them into practice in order to set a course for action, to establish a basis for getting rid of the old regulations, and for establishing guidelines. It is for the purpose of meeting the requirements of this new situation that "The Regulations" have clearly affirmed actions and methods in keeping with the reform orientation for helping economic development; have established principles, actively created conditions, and set up pilot projects for experiments of an exploratory nature; and have courageously demolished some irrational regulations that impede good operation of enterprises. They provide legal support for further intensification of reform under the new conditions.

## 2. Purposes and Objectives in Changing Enterprises Operating Mechanisms

Article 1 of "The Regulations" provides as follows: This article has been drawn up in accordance with "the People's Republic of China Code for Industrial Enterprises Under Ownership of the Whole People" to spur the entry into markets of industrial enterprises under

ownership of the whole people, to increase enterprises' vitality, and to improve enterprises' economic returns. This provision both expresses the purpose and the basis for drafting "The Regulations," and also expresses the objectives in changing the enterprise operating system. The purpose of changing the enterprise operating system is to stimulate the entry of enterprises into markets, and to make fullest use of the regulatory role of the market mechanism to increase enterprises vitality and improve their economic return in order to emancipate and develop. One might say that stimulating enterprises entry into markets is the nucleus of "The Regulations." If "The Regulations" breaking any new conceptual ground, I believe that the greatest is stimulation of enterprises to enter the market.

Article 2 of "The Regulations" provides as follows: "The objective in changing the enterprise operating mechanism is to enable enterprises to meet market demand, becoming commodity production and operating units that operate autonomously, are responsible for their own profits and losses, that are responsible for their own development, and that are responsible for limiting themselves according to law, thereby becoming juridical persons independently enjoying civil rights and bearing civil responsibilities." The objective in changing the operating system is based on the spirit of "Enterprise Law" provisions regarding the character and position of enterprises. It is a summarization of successful experiences in China's enterprise reform, and it was established on the basis of requirements for developing a socialist commodity economy and enterprise realities.

A full and correct understanding of the objectives in changing the enterprise operating mechanism is of crucial importance in grasping the spirit and substance of "The Regulations" to ensure implementation of "The Regulations." This is because of the following:

1. Operational autonomy is a basic requirement for enterprises as independent commodity producers and operators. Operational autonomy for enterprises means that enterprises themselves have the right to decide and organize the implementation of production and operating plans, to plan investment, to allocate retained funds and products, to set prices for labor services, and to distribute wages and bonuses to labor and personnel within enterprises, subject to state macroregulation and control and as the market requires.

2. Responsibility for their own profits and losses means that enterprises may independently enjoy the rights and bear the responsibilities resulting from their operations. The ability of enterprises to bear responsibility for their own profits and losses is the mark of an enterprise as an independent juridical person, and it is also the key in preventing enterprises from abusing their autonomy.

3. Responsibility for self-development means the ability of an enterprise to increase investment in production, promote technological progress, improve management,

increase competitiveness, and bring about an appreciation of enterprise assets through market competition. An enterprise's ability to develop itself is the main determinant of distributions between the state and the enterprise, and whether the enterprise is able to employ effectively the assets that the state has entrusted to its administration and management.

4. Self-limitation means the ability of an enterprise to abide by the provisions of national laws and regulations in correctly handling the relationship between the state and the enterprise, and between the enterprise and its staff members and workers, to look after both the interests of the whole and the interests of the parts, and its current interests and long-range interests for a conscious regularization of functions inherent in enterprise conduct.

Making operational decisions for oneself, holding oneself responsible for profits and losses, holding oneself responsible for development, and limiting oneself form a complete, internally related, unified whole. The objective in changing the enterprise operating mechanism must be full expression of these "four selves," not a single one of which may be dispensed with.

### 3. On Enterprise Operating Rights

Chapter 2 of "The Regulations" sets forth the concept of enterprise operating rights and the specific content of operating rights.

#### (1) How to understand enterprise operating rights.

"The Regulations" provide that "enterprise operating rights means that enterprises enjoy the right to possess, use, and dispose of according to law the assets that the state has mandated enterprises to administer and manage (hereinafter abbreviated to enterprise assets)." The main purpose of this provision is as follows:

1. Enterprise operating rights are a kind of property right that the law bestows on enterprises. China's "Civil Code Regulations" provide that "Enterprises under ownership of the whole people enjoy the right to operate, according to law, assets that the state has entrusted to their administration and control, and they are protected by law." Enterprise operating rights are state mandated. Once the state mandates them, the enterprise enjoys these rights. Unless the state so mandates, enterprises may not possess ,use, and dispose of assets under ownership of the whole people. Once an enterprise's operating rights are recognized by the state according to law, they are protected by the law. No one may infringe them. Not even the government or government organs may infringe or interfere with an enterprise's operating rights.

2. The subject of an enterprise's operating rights is the enterprise, i.e., the enterprise enjoys rights and bears responsibilities according to law for the legal relationships incurred in the discharge of the operating rights. Neither government organs nor any other organization or individual are the subject of operating rights.

3. The object of an enterprise's operating rights is assets, i.e., the object of the operating rights that an enterprise exercises is all of the assets that the state entrusts to the enterprise for administration and management; it is not the assets of any single part or several parts of the enterprise. The enterprise not only enjoys operating rights in the use of enterprise funds, but also enjoys operating rights according to law for fixed assets as well as intangible assets such as patents and trademarks.

4. Enterprise operating rights must completely reflect the right of possession, use, and disposition according to law, none of which may be omitted.

The right of possession is an enterprise's right to actual control of assets that the state has entrusted to it for administration and management. This is the foundation for operating rights. Use rights is an enterprise's right to use the assets that the state has entrusted to it for administration and management in carrying out production and business activities. The right of disposal is an enterprise's right to handle according to law the assets that the state has entrusted to its administration and management, including the right to expend, mortgage, and transfer the assets.

Only when an enterprise fully enjoys these three rights can they be commodity producers and operators in a true sense, and only then can the government reasonably require that enterprises be responsible for their own profits and losses. On the basis of the provisions of the "Enterprise Law," as well as in view of the need to develop a commodity economy, "The Regulations" particularly emphasize that enterprises enjoy the right to dispose of assets according to law, thereby expanding enterprises' operating rights from just the organization of production, supply, and marketing activities to complete administration of the assets that the state has entrusted to them for administration and management.

5. The purpose of endowing enterprises with operating rights is to enable them to make independent and autonomous decisions about production and business activities as the market requires, and to be responsible for the results of operations provided that they maintain and increase the value of state-owned assets. Therefore, "The Regulations" require that enterprises give first place to protecting and increasing the value of assets when they exercise operating rights. Not only must they constantly increase the enterprise's total assets, but they must use reduction of liabilities as a basis for increasing the percentage of net assets to increase their asset-income rate so that the enterprise can become increasingly stronger.

(2) The main content of enterprise operating rights that "The Regulations" provide.

"The Regulations" provide 14 operating rights for enterprises in accordance with provisions of the "Enterprise Law" taken together with the country's practice in reform during recent years. Some of these operating autonomy rights are a reiteration of provisions of the

"Enterprise Law," while others make these provisions more concrete, and still others extend them to meet the requirements of enterprise reform under new circumstances.

**Enterprise Production and Operational Decision Making Rights.** First, "The Regulations" address the purview of enterprise operations, focusing on the stifling and overly narrow purview of enterprise operations that make it difficult for enterprises to change as the market changes, making timely readjustments. They confer on enterprises the right to make their own decisions about adjusting the scope of operations within their own trade or across trade lines. Second, they provide new regulations on the methods whereby enterprises carry out command-style plans, changing from the former administrative directive method to legal methods. They provide for the signing of economic agreements that prescribe the full content of plans to be carried out, defining the rights and duties of both the government department issuing the directive and the enterprise. Both parties to an agreement are to enjoy the rights and discharge the duties that the agreement provides. Should either party violate the agreement, they are to bear responsibility for the violation. Third is reform of the existing planning system to reduce the number of levels through which plans are handed down. Enterprises may refuse to carry out all plans that any unit or department issues except for plans that the State Council and provincial government level planning departments issue directly, or command-style plans from departments empowered to issue them. This provision is in keeping with the orientation of reform of the plan management system, and it also helps overcome abuses in the handing down of plans through many levels and the tacking on of provisions at every level that makes it difficult for enterprises to execute command-style plans.

**Enterprise Right To Set Prices for Products and Labor.** "The Regulations" reduce the state's authority to set prices directly, enterprises themselves setting prices for the processing, repair, and technical cooperation labor services they provide. Except for certain individual products, enterprises themselves set prices for all industrial consumer goods used in daily life that they produce. Enterprises set prices for most products used as means of production, the state setting prices on only a small number of such products. Second is publication of a price and division of labor control catalogue that decides on which products used as means of production the state is to set prices. The purpose of this procedure is to make price control open and legal. Enterprises can understand the latitude they have for setting prices, and government departments are also restrained from setting prices arbitrarily and exceeding their authority in setting prices. All products used as means of production that are not listed in the price and division of labor control catalogue are to be set by the enterprise itself without interference from any government organ or individual. In addition, "The Regulations" also provide that in cases where existing law makes special provision for the setting of prices for

certain products and labor services, such as provisions for the setting of railroad transportation prices in the "Railroad Law," the setting of government postage prices in the "Government Postal Law," and the setting of tobacco prices in the "Tobacco Monopoly Law," the provisions of these laws are to continue to apply.

**Enterprise Product Sale Price Rights.** "The Regulations" reiterate that enterprises may sell the enterprise's products throughout the country, and that no government organ or local government may block, limit, or take other prejudicial actions against them. Chapter 6 also prescribes legal responsibilities for blocking and prejudicial actions. Second, "The Regulations" provide for the signing of an agreement between the enterprise and the buyer of monopoly sale products and other products purchased by designated units. The enterprise itself may sell the products should the buyer fail to honor the contract, and responsibility is to be fixed on the party that violates the contract. This provision is aimed mostly at instances in which a unit has a monopoly on the procurement of goods in great demand but refuses to purchase them when sales suddenly slacken, thereby seriously hurting the enterprise's production and business activities. Naturally, enterprises must continue to enforce the provisions of existing laws covering the market sale of products whose sale national decrees forbid such as rifles, ammunition, and chemical poisons.

**Enterprise Import-Export Rights.** "The Regulations" contain different provisions for enterprises that have or do not have export rights. For enterprises that do not have export rights, the main rights they prescribe are as follows: Enterprises are not to be limited by area or trade in their choice of a foreign trade agent enterprise; they may select a foreign trade agent enterprise anywhere in the country, and they may participate in negotiations with foreign businessmen. Foreign exchange that enterprises retain may be used as the enterprise sees fit, no government agency or unit being permitted to transfer it or intercept it. Enterprises may use their own foreign exchange for the travel abroad of personnel on business without being limited by foreign exchange quota plans. Enterprises may contract projects, conduct technical cooperation, or provide other labor services in accordance with state regulations.

In addition to enjoying the foregoing rights, "The Regulations" provide that enterprises enjoying import-export rights may have the same rights as foreign trade enterprises in obtaining import-export quotas and licenses. No government agency or local government may discriminate against them or limit them in the exercise of this right, any unit that does so being held legally responsible. In addition, in view of past onerous procedures for entering and leaving the country, "The Regulations" provide for a simplification of application and approval procedures for enterprise personnel who frequently enter and leave.

**Enterprise Investment Decision Rights.** The "Enterprise Law" makes no explicit provisions regarding investment

decision rights; however, both enterprise system reform and greater ability of enterprises to meet market competition require that enterprises be vested with the right to make investment decisions. The overall tenor of enterprise investment rights that "The Regulations" confer is first, that both enterprises and the state are investment entities, the rights of enterprises to invest being determined by their ability to invest; and investors bear the legal consequences of their investment. Second is encouragement to enterprises to use their retained profits for investment purposes to increase their self-development capabilities. Third is reform of investment regulation and control measures, mostly economic requirements being used to limit and increase legal responsibility in order to ensure that investment decisions are reached in an orderly fashion. In this regard, the regulations make new provisions in the following several regards:

First is an expansion of the scale of enterprise investment. Enterprises may not only use retained funds for investment, but they may employ their right to use materials and land, and their industrial property rights and unpatented technology for investment. They may invest in business enterprises and institutions in any area or any trade in China, and they may invest abroad subject to approval. They may hold shares in other enterprises as a means of investment, or they may form partnerships or found enterprise blocs in accordance with regulations, etc.

Second is determination of enterprises investment rights on the basis of their investment capabilities. All enterprises that use retained funds and money that they have raised themselves for productive construction, and that are themselves able to meet construction and production conditions may make their own decisions. Here, money that they have raised themselves is used to mean mostly inter-enterprise financing and funds raised from among staff members and workers in enterprises themselves. Funds obtained through bank loans, the issuance of share certificates and the issuance of debentures do not fall within the purview of money that enterprises have raised themselves. This regulation breaks new ground in the method of using the scale of investment to determine enterprises' investment rights, and it breaks new ground in methods for controlling the limits of investment.

Third is providing policy preference to enterprises that use retained profits to increase their investment. This means a rebate to enterprises of 40 percent of their tax payments on the amount reinvested following application for it and approval of the tax authorities. This provision is similar to pertinent provisions of "Income Tax Code for Foreign Businessman Investment Enterprise and Foreign Enterprises" in that it helps encourage enterprises to use their retained profits for new investment, thereby improving their self-development capabilities. Additionally, inasmuch as enterprises currently have little ability to develop new products, and since they depreciate assets slowly, "The Regulations" provide

that enterprises may increase their new product development funds to the extent that their economic returns and capabilities permit. The state intends to draft new depreciation regulations whereby enterprises will be able to depreciate more rapidly in accordance with the regulations.

Fourth is guarding against loss of investment control through the provision of an attendant supervisory system and investment requirements. This means that an accounting office or an auditing office will have to certify that enterprise investment funds are complete and accurate. Enterprises may use retained funds and funds they have raised themselves for investment, but they must receive approval for construction and production when they cannot solve investment problems themselves, or when government investment is needed. Those requiring loans or who must float bonds are to file for approval in accordance with national regulations.

Fifth is greater investment responsibility. In order to prevent ill-advised investment and careless borrowing, a chapter on legal responsibilities in "The Regulations" provides that should enterprise or government mistakes in making investment decisions result in serious losses of enterprise assets, the parties primarily responsible are to bear economic, administrative, and legal responsibility.

"The Regulations" provisions regarding enterprise investment decision making rights help solve universally existing problems of limited investment authority, low renovation and transformation capabilities, and no responsibility for investment decision mistakes. They help increase the vitality of state-owned enterprises.

**Enterprise Authority to Allocate Retained Funds.** "The Regulations" further refine provisions of the "Enterprise Law" pertaining to the authority of enterprises to allocate retained funds. So long as they ensure that enterprise assets maintain their value and increase in value, the government prescribes no uniform rules about the percentage of various kinds of funds that enterprises set up from their after-tax profits. This is to be decided by the enterprise itself. The flexible use of retained funds means that production development funds may be used to purchase fixed assets, to carry out technological transformation, to develop new products, and to augment working capital. Depreciation funds, major repair funds, and other funds intended for productive purposes may also be combined for technological transformation or for investment of a productive nature. Enterprises have the right to reject the efforts of any government agency or unit to allocate their retained funds without compensation, or to force them to use their depreciation funds and major repair funds for the payment to the state of additional profits.

**Enterprise Assets Disposition Rights.** This right is an important expression of the "right to dispose of assets according to law." "The Regulations" contain three provisions in this regard. The first concerns the assets for which enterprises have disposition rights. Inherent in

enterprise operating rights is the right to disposition of all enterprise assets. However, since the disposition of enterprise assets has a direct bearing on the rights of the owner, which is the state, fairly detailed provisions have been made regarding the disposition of enterprise assets. Assets disposition includes leasing or mortgaging, and it also includes transfer for compensation according to provisions of the law. Leasing does not result in a loss of asset ownership rights. It means only transfer to the lessor for compensation of the right to hold and use assets. The leasing enterprise may obtain compensation through the collection of leasing fees, and it may recover the assets according to the terms of the lease. Transfer for compensation means disposal of material assets the value of which may be compensated. Mortgaging is a form of security guarantee. The mortgaging of real property entails no transfer of possession or use rights; however, should the mortgagee not liquidate his debt on time, he will lose the mortgaged property. Therefore, "The Regulations" provide that enterprises may themselves decide to lease, mortgage, or transfer ordinary assets for compensation. They may lease critical pieces of equipment, whole plants, or major structures; however, the mortgaging or transfer for compensation of these things must be approved by the government authorities in charge. Second, "The Regulations" provide the uses to which allocating enterprise fixed assets may be put. Since the state is the owner of enterprise fixed assets, and since the state entrusts their administration and management to the enterprise for the purpose of creating more social wealth, fixed assets that an enterprise disposes may be only used in their entirety for the updating and technological transformation of facilities. Third, in order to ensure no losses to state-owned assets when fixed assets are disposed of, the assets must be appraised in accordance with pertinent state regulations.

Since some fixed assets in special trades and enterprises are of a special nature, "The Regulations" provide that when an enterprise disposes of fixed assets, in cases in which the law and administrative regulations contain additional provisions—such as for tobacco processing machinery—the pertinent laws must be obeyed.

**Enterprise Rights To Form Partnerships and Mergers.** Partnerships between enterprises or merger with another enterprise is something new that has come about in recent years in the process of economic system reform. Partnerships occur in numerous ways, but legally speaking they are of three main kinds, namely juridical person partnerships, cooperative partnerships, and contract partnerships. The right to merge is a right granted to enterprises that is based on experiences in the restructuring of enterprises in recent years and actual needs.

**Enterprise Rights in the Use of Labor.** The key point in reform of the right to use labor is solution to the problem of staff member and worker entry into and exit from enterprises for the building of an enterprise labor use system imbued with vigor and vitality. "The Regulations" contain provisions regarding both the hiring and

the use of labor. On the hiring of labor, they mostly demolish the existing state plan control over enterprise hirings. No longer does the government decree the timing, conditions, methods, and number of hirings; instead, enterprises themselves make decisions based on their own circumstances. However, the line between city and countryside has not been erased while hiring labor. Hiring labor in cities and towns is not restricted by administrative distinctions between city and towns in the area in which an enterprise is located. Additionally, the law and the State Council have provisions that must be followed regarding enterprise hiring of discharged servicemen, minority nationalities, women, and the handicapped. Second, enterprises may themselves decide how labor is used. They may employ either contract management or an all-personnel labor contract system, or they may use some other method, etc. Enterprises have the right to form rational labor groups, to cancel labor contracts, or to discharge and fire staff members and workers.

In addition, "The Regulations" provide for the placement of redundant enterprise personnel.

**Enterprise Personnel Management Rights.** The key element in personnel management rights is the managerial personnel and technical personnel appointment system and testing system, which gets rid of "iron armchair" sinecures, demolishes the distinction between cadres and workers, and institutes a system whereby cadres may be promoted or demoted. "The Regulations" contain provisions in these regards.

**Enterprise Wage and Bonus Distribution Rights.** The purpose in providing this right is to solve problems of egalitarianism and "eating out of a large common pot" in distributions within enterprises, instituting a system whereby the earnings of staff members and workers may rise or fall as a means of stimulating the initiative of staff members and workers. The main provision of "The Regulations" is that enterprises may themselves apportion the amounts paid in wages and bonuses from the total wage bill. The enterprise wage system and specific methods used in making distributions may be decided by enterprises themselves. They may institute a position and skills wage system, or they may institute an hourly wage system or a piece work wage system, etc. Enterprises may themselves decide staff member and worker promotions and wage increases, or demotions and wage decreases.

In addition to the foregoing provisions, "The Regulations" also reiterate the rights set forth in the "Enterprise Law" pertaining to enterprises setting up of organizations and refusal to pay assessments.

In order to ensure that operating rights are enforced, Chapter 1 of "The Regulations" on legal responsibilities particularly prescribes that should government departments concerned violate "The Regulations," transgressing or interfering with enterprise operating rights in

any of 12 different ways, they are to bear legal responsibility. Enterprises must boldly and skillfully apply these legal measures to protect their own legal rights. Government agencies and society as a whole have the responsibility and the obligation for consciously safeguarding the operating rights of enterprises.

#### 4. Responsibility for Profits and Losses

Chapter 4 of "The Regulations" stipulates responsibility for profits and losses.

(1) How to construe responsibility for one's own profits and losses.

Article 23 of "The Regulations" contain specific provisions about responsibility for one's own profits and losses, which entities bear responsibility, and the basis for bearing responsibility. The following several matters must be given attention in understanding this article.

First, enterprises responsibility for profits and losses is a right that enterprises enjoy that has been stipulated to be an enterprise operating right. Here, the main concern is about enterprises responsibility for losses, i.e., enterprises operating as independent juridical persons must bear responsibility for losses of enterprise property.

Second, Article 23 of "The Regulations" provides two forms of responsibility pertaining to enterprise losses. One is civil responsibility, by which is meant mostly responsibility for property resulting from liabilities. This civil responsibility is discharged by settling liabilities according to law. The second is work responsibility, meaning the responsibility for administration and management relating to enterprise losses that the plant manager and the staff members and workers must assume. The consequence of work responsibility is administrative or economic punishment.

Third, the above two kinds of responsibilities are borne by two different main entities.

The entity bearing civil responsibility is the enterprise. China's "Civil Code Regulations" and "Enterprise Law" provide that, as juridical persons, enterprises must independently bear civil responsibility. Liabilities that the plant manager (or plant director) and other workers incur as juridical persons in the plant's operation are to be borne by the enterprise. Section 2 of Article 23 of "The Regulations" reiterates this provision. Through its provision on civil responsibility, "The Regulations" ensure normal operation of the plant and safeguard the economic order once industrial enterprises under ownership of the whole people enter the market.

The entities bearing work responsibility are the plant manager and the staff members and workers. According to the provisions of the "Enterprise Law" and "Work Regulations for Managers of Industrial Enterprises Under Ownership of the Whole People," plant managers are entirely responsible both for directing production

and for the administration and management of enterprises. Therefore, "The Regulations" provide that should operating losses attributable to inept enterprise administration and management occur, the plant manager bears direct responsibility for the consequences to enterprise property. The work attitude and contribution of staff members and workers have a direct bearing on enterprise profits and losses. Staff member and worker responsibility is stipulated by the enterprise's internal economic responsibility system. Therefore, "The Regulations" also provide that "staff members and workers also bear corresponding responsibility for enterprise profits and losses in accordance with the enterprise's internal economic responsibility system." This provision closely links the interests of the enterprise, the plant manager, and the staff members and workers. It impels the enterprise toward the conscious building of both a self-limitation and a self-development mechanism.

Fourth, the property for which an enterprise bears civil responsibility is property that the state has entrusted to it for administration and management. China's "Civil Code Regulations" and "Enterprise Law" provide that enterprises "bear civil responsibility for assets that the state has entrusted to their administration and management." Thus, "The Regulations" reiterate that this provision functions in three ways: First, it prescribes the assets requirements an enterprise must possess in order to be an independent juridical person. When an enterprise possesses independent assets, it can act of its own accord. It can independently enjoy civil rights and bear civil responsibilities. This is a prerequisite for ensuring that enterprises pay off liabilities according to law and establish a normal economic order. Second, it makes clear that the state bears only limited responsibility for enterprises. When an enterprise's assets cannot offset its liabilities, the state does not bear unlimited related responsibility. Third, it makes clear that enterprises bear civil responsibility to the full amount of their assets, this being the limit for an enterprise in settling its liabilities.

## (2) Handling of Enterprise Losses

Articles 18 and 19 of "The Regulations" distinguish between two different enterprise loss situations: losses resulting from policy and losses resulting from operation. Losses resulting from policy are those that stem from an enterprise's pursuit of government-prescribed goals that benefit society at large or from the production of goods in response to command-style plans for which prices are set. Losses attributable to operation are those that stem from inept enterprise administration or management. Correctly distinguishing between these different kinds of losses is essential to the proper handling of the personnel concerned.

Second, government agencies handle losses stemming from policy in two different ways:

First, "pricing units must either readjust prices in a planned way or remove price restrictions on products to solve the problem," and second, when prices cannot be

adjusted or restrictions removed, either subsidies or other forms of compensation are to be given, subject to the examination and approval of fiscal authorities.

Third, losses stemming from inept operation are to be handled differently depending on the degree of responsibility of those concerned in the enterprise, and on how long the losses occur. Article 29 of "The Regulations" provide the following: 1) Those bearing responsibility include the plant manager, other plant level leaders, and staff members and workers. 2) Different handling methods are prescribed for enterprise losses incurred in one year of operation, and losses incurred in two consecutive years of operation. 3) Handling methods include administrative punishment and economic penalties. Article 4 of "The Regulations" prescribes the "change and termination of enterprises" who have serious operating losses.

Fourth is provisions for the handling of enterprises that have both kinds of losses, i.e., those that incur losses stemming from both policy and inept operation. Article 28 of "The Regulations" provides that losses stemming from policy are to be handled first. Should an enterprise continue to incur losses, these are to be handled as losses stemming from operation.

Enterprise losses that have accumulated over a long period of time prior to enactment of "The Regulations." Section 4 of Article 29 of "The Regulations" provides that following appraisal of fixed assets and circulating funds, such enterprises are to be handled in accordance with pertinent State Council regulations.

## (3) Building of Self-Limitation Mechanisms and Supervisory Mechanisms for Distributions

The further expansion of enterprise operating autonomy and the greater enterprise responsibility for their own profits and losses necessitates the formation of self-limiting mechanisms and supervisory mechanisms for distributions. Articles 24 and 25 of "The Regulations" contain the following provisions in this regard:

First is general principles and specific requirements for the establishment of self-limiting mechanisms for enterprise distributions.

The general principle to be followed in establishing an enterprise self-limiting mechanism is as follows: The degree of increase in an enterprise's total wage bill must be lower than the degree of increase in the enterprise's economic returns; and the actual per capita degree of increase in wages of an enterprise's staff members and workers must be lower than the degree of increase in the enterprise's labor productivity rate. Enterprises economic returns are to be figured on the basis of profits and taxes generated. The enterprise labor productivity rate is figured on net output value. So long as the two above "must be lower than" principles met, the enterprise may use any method for distributing wages and bonuses that its situation permits.

Specific requirements in establishing a self-limiting mechanism for enterprise distributions: First, the wages, bonuses, subsidies, allowances, and other wage-type income of an enterprise's staff members and workers must be included in the total wage bill. All awards not included in the total wage bill are to be cancelled. This provision is for the purpose of strictly controlling the total wage bill, and for ease in comparing one enterprise with another. Second, enterprises must decide increases and decreases in staff member and worker income on the bases of increases and decreases in economic returns. Third, enterprises must withhold no less than 10 percent of the total annual increase in the total wage bill as an enterprise wage reserve fund, the use of which the enterprise itself is to decide. When the amount of money in the reserve fund amounts to the enterprise's total wage bill for one year, no further withholdings are to be made. The establishment of a wage reserve fund allows enterprises to even out good times and bad.

Second, Article 24 of "The Regulations" provides three methods for the establishment of supervisory mechanism for enterprise distributions. The first is better democratic supervision on the part of staff members and workers. A staff member and worker representative assembly should examine and approve the determination and readjustment of the total wage bill base figures for enterprise staff members and workers. The total wage bill of enterprises that are losing money may not exceed the total wage bill that the government agency concerned has approved. All plant manager promotion and wage adjustment bills and bonus distribution bills must be supervised by the government office concerned. The government unit in charge must immediately halt and correct any violation by the enterprise of these provisions. Staff member and worker receipts not treated as income are to be recovered incrementally within a fixed period of time from the date of discovery. Third, is the establishment and improvement of social supervision. Where conditions permit, enterprise's wages and bonuses may be recorded and registered for examination and approval by a pertinent government agency recognized accounting office or auditing office.

(4) Prevention and Handling of Hidden Losses. Hidden losses means various economic losses incurred in the production and business process that are not reflected on the enterprise's ledgers. They do not show up as either account book losses or as a reduction in profits. "The Regulations" contain three main provisions for preventing and handling hidden losses.

First, "The Regulations" explicitly provide that "enterprises must strictly enforce national fiscal, tax revenue, and state-owned assets management laws, rules, and regulations. They must regularly conduct asset checks and audits to ensure that accounts square with reality, that they genuinely reflect enterprise accomplishments, and that profits are not inflated or that losses are misrepresented as profits, insuring that enterprise assets retain their value and increase in value."

Second is reform of the enterprise financial system and the establishment of a social supervision system. "The Regulations" provide that "enterprises must establish an assets responsibility system and a gain and loss examination system, preparing an annual financial accounting report in accordance with state regulations, and filing it with the government agency concerned for examination and approval."

In addition, accounting offices and auditing offices must be set up and improved over a period of time to exercise supervision over enterprises' economic activities.

### 5. Third is Methods of Handling and Legal Responsibility for Hidden Losses

"The Regulations" provide that "enterprises must accurately figure costs in accordance with relevant state regulations, and withhold sufficient depreciation funds, major repair funds, and funds to augment working capital. Should they fail to withhold, or withhold too little, depreciation funds and major overhaul funds, figure costs too low or write them off, thereby creating a false increase in profits or misrepresenting losses as profits, the authorities concerned must direct the enterprise to used its retained funds to make up shortfalls."

In cases in which the foregoing provisions are violated, the chapter on "legal responsibilities" in "The Regulations" provides that the plant manager, other plant-level leaders, and personnel directly responsible are to be held administratively accountable and given economic punishment. Those who commit crimes are to be held criminally accountable by judicial organs according to the law.

### Regulations on Readjustment of Enterprises' Product Mix and Organizational Structure

#### (1) Why It Is Necessary To Provide Specially for a Readjustment of Enterprises' Product Mix and Organizational Structure

The irrational economic structure has become a conspicuous problem that has hampered improvement of China's economic returns for many years. A solution to this problem requires not only state control of overall economic balance, the drafting of appropriate industrial policies, and sensible planning and patterning of the economy, but also a readjustment of both enterprise product mix and organizational structure to enable enterprises to operate truly in accordance with the requirements of economic laws, thereby entering a benign cycle of equal competition and the survival of the fittest.

Past readjustments of the enterprise structure relied mostly on administrative methods that included closing, suspensions of operation, mergers, and changes to other product lines. Although this method worked to a certain extent, it was just one method that operated fairly arbitrarily, and which was sometimes not in keeping with objective requirements for economic development.

As enterprises orient toward the market, becoming independent commodity producers and operators making their own operating decisions and being responsible for their own profits and losses, government reliance solely on administrative methods for the restructuring of enterprises no longer achieves anticipated goals. Therefore, a combination of economic methods, legal methods, and needed administrative methods must be employed in the restructuring of enterprises. Chapter 4 of "The Regulations" on "Changing and Terminating Enterprises" provides specific provisions in this regard.

(2) Specific Provisions Regarding Readjustment of Enterprise Product Mix and Their Organizational Structure

"The Regulations" provide that enterprises may readjust their product mix and their organizational structure by shifting into other lines of production, by halting production for restructuring, and through mergers, separation, dissolution, and bankruptcy to bring about a rational allocation of resources and the survival of the fittest enterprises.

When changing into other lines of production, enterprises must pay attention to the following matters: First is the character, quality, and model of products to which the enterprise is to make a change. Unless the change is to leading products of a different character, the change does not constitute a change into other lines of production. If an enterprise resorts to "economic diversification within mostly a single industry" without changing its leading products or its principal business, this does not constitute a change into other lines of production either. Second, a change into other lines of production does not terminate an enterprise's juridical person status; the enterprise is still responsible for its former obligations. Third, a change into other lines of production is a matter about which the enterprise itself decides. Fourth, when making a change into other lines of production, national laws, rules, and regulations must be obeyed. When a change in production involves specially designated products, or products on which the state places special limitations, it must be made in accordance with laws, rules, and regulations. Fifth, a change into another line of production requires completion of industrial or commercial change registration procedures as regulations prescribe.

Enterprise production halts for restructuring. So-called production halts for restructuring means that an enterprise halts all production and operations temporarily for a legally prescribed period of time in order to restructure its internal management. Production halts for restructuring are of two kinds. One is a voluntary production halt for restructuring; the other is a government agency directed enterprise production halt for restructuring. "The Regulations" provide that no matter the kind of production halt for restructuring, the time limit should usually not exceed one year.

When an enterprise halts production for restructuring, the following several points must be noted: First, the prerequisite for a halt in production for restructuring is serious enterprise operating losses short of bankruptcy. Enterprises seasonal halts in production or temporary production halts to curtail output are not within the purview of production halts for restructuring that "The Regulations" provides. Second, no matter whether the production halt for restructuring is voluntary or government directed, it must be approved. Third, production halts for restructuring do not alter an enterprise's status as a juridical person; they are only a temporary halt in their vocational activity. Therefore, the enterprise creditor rights and debt relationships continue to exist. Fourth, plans must be drawn up for halts in production for restructuring, protection provided for enterprise assets.

Enterprise amalgamations and mergers. China's laws provide for two kinds of amalgamations. One is an assimilation style amalgamation in which enterprise amalgamates with enterprise B, enterprise A continuing to exist but enterprise B ceasing to exist. The other is a newly established style amalgamation in which enterprise A and enterprise B amalgamate to become a new enterprise. Both enterprise A and enterprise B cease to exist. "The Regulations" specifically provide two methods by which enterprises can amalgamate. One is government-decided or approved amalgamation; the other is a merger that enterprises themselves decide.

When the government decides on an enterprise amalgamation, the following points must be given attention: 1) Amalgamation of enterprises under ownership of the whole people may be accomplished through the turnover of assets without compensation, or through the turnover of assets for compensation; 2) an amalgamation may be proposed by either the enterprise or the government; and 3) following amalgamation, the enterprise must bear responsibility for the original enterprise's credits and liabilities.

When a merger occurs, the following points must be given attention: 1) the enterprise that instigates the merger need not obtain government approval to merge; 2) the merger must be "for compensation," the foregoing two points being the main characteristics distinguishing government-decided mergers; 3) the enterprise that is to be merged into another must obtain approval of the government agency in charge; and 4) the enterprise initiating the merger must be responsible for the liabilities of the merged enterprise.

In order to help enterprises merge smoothly, "The Regulations" provide preferential policies for mergers as follows: 1) when the creditors agree, the merging enterprise may repay liabilities over a period of time, or indebtedness may be reduced or waived; 2) for enterprises that practice the contract system, the government units concerned may, at their discretion, reduce the norms for profits that the merged enterprise is to pay; and, 3) following bank approval, the interest that the

merged enterprise owes the bank may be reduced or waived. If the merged enterprise becomes a tertiary industry, interest payments may be halted for two years and interest payments may be halved for three years from the day it opens for business.

**Enterprise Bankruptcy.** "The Regulations" reiterate pertinent provisions of the "Enterprise Bankruptcy Law (Trial)," and add some new provisions. The new provisions affirm the usual method of "going bankrupt first, then 'merging later.'" This method combines the best features of the bankruptcy system and the merger system, and combines both of them. One sticking point in enterprise bankruptcies is the placement of staff members and workers. The "go bankrupt first, then 'merge later'" method requires that when the merging party accepts the bankrupt enterprise's assets, it also accept responsibility for placement of its staff members and workers. For another enterprise to enter into a "merger" following the bankruptcy of an enterprise, also reduces pressures on the enterprise making the merger to accept debt. The merging enterprise need not pay in full the liabilities of the bankrupt enterprise being merged; it is responsible only for that percentage that the courts determine must be paid.

When an enterprise readjusts its organizational structure, inevitably, the problem of placement of staff members and workers arises. "The Regulations" prescribe different placement methods for different kinds of organizational structure readjustments. It provides preferential policies for enterprises that are set up to provide jobs for unplaced redundant staff members and workers, that are independently accounting, and that are in tertiary industries. When enforcing this policy, the following points must be given attention. First, the new business must have the placement of redundant staff members and workers as its goal; those who hire from society at large do not fit into this category. Second, the new enterprise must suspend ties with the original enterprise to become an independently accounting enterprise; and third, it must be in a tertiary industry.

#### 6. Relationship Between Enterprises and Government

When an enterprise changes its operating mechanism, government must change its functions. Everyone up and down the line knows this. Practice in enterprise reform for many years also demonstrates that straightening out the relationship between government and enterprises is both a sticking point in reform and an inescapable problem in the intensification of enterprise reform that must be solved. In the process of drafting "The Regulations," a widespread canvassing of views produced a unity of understanding on three points: First, definition of the relationship between government and enterprises must give expression to the need for a separation of government and enterprise functions; second, definition of the relationship between government and enterprises requires a distinction between the dual functions of the state as both the owner of enterprises belonging to the whole people and the administrator of society; and third,

a change in government functions impacts on government agency reform. "The Regulations," which regulate enterprise activities, cannot make all-embracing, concrete regulations about government functions. It can only make some provisions in the nature of principles about the relationship of government and enterprises from the angle of a change in enterprises operating mechanism, the principal of which are as follows:

First, "The Regulations" reiterate that enterprise assets belong to the whole people, i.e., state ownership. They make clear that the State Council represents the state in exercising enterprise assets ownership rights, and they define in principle what constitutes enterprise assets. By way of ensuring enterprise assets ownership rights, "The Regulations" provide that government and its agencies concerned exercise eight functions. In exercising these functions, government and its agencies must act strictly according to law and to rules and regulations. They may not exercise ownership rights on some pretext, further meddling in enterprises affairs.

Second, government must change its functions to provide services to enterprises. "The Regulations" stipulate the main requirement and four specific tasks in government's change of functions. The main requirement is: government must act in accordance with the principle of separation of government administration and enterprise management functions in the coordination, supervision and management of enterprises according to law, providing services to enterprises.

The four specific tasks are as follows: improved macroregulation and control, establishing a macroregulation and control system that both helps increase enterprise vitality and also helps orderly operation of the economy; foster and perfect a market system, making full use of the regulatory function of markets; establish and perfect a social security system; and reduce enterprises' burdens, providing social services for enterprises.

In the realm of macroregulation and control, government must concentrate its energies on the formulation of economic development strategies, industrial policies, and controlling overall balance. It should particularly apply economic levers and legal means to regulate and control the economy. At the same time, it should reform the revenue collection and fiscal systems, and provide economic information and technical training to enterprises.

In fostering and perfecting a market system, the focus should be on demolishing the separation between regions and government agencies, and the walling off of one from another for the formation of a nationwide unified market. Any government department that illegally engages in market blockading is to bear responsibility in accordance with "The Regulations," and provisions of pertinent laws. At the present time, strong attention must be given to the establishment of all kinds of

specialized markets and to better market administration to set the stage for enterprises to enter the market and for fair competition.

In the establishment and perfection of a social security system, a multi-level social security system in which the state, collectives and individuals jointly share a reasonable burden should be instituted, conditions created whereby enterprises have autonomy in the use of labor, in which the rational movement of labor is assured, and that promotes readjustment of enterprises organizational structure.

Of greatest importance in reducing enterprises burdens and providing services to them is the establishment of various kinds of social service organizations, and perfection of the employment service system and the legal system to ensure enterprises' normal production and operating procedures.

Although the provisions of "The Regulations" regarding the relationship between enterprises and government is pretty much in the nature of principles, government's orientation in changing its functions must be maintained. In the future, through the intensification of reform—particularly, reform of government agencies—the relationship between enterprises and government can be gradually straightened out. At the same time, "The Regulations" contain clear-cut provisions about the legal responsibility of government agencies concerned that infringe or interfere with enterprises' autonomy.

#### Several Other Matters Requiring Explanation

##### 1. Applicability of "The Regulations"

Provisions of "The Regulations" apply to industrial enterprises under ownership of the whole people. The principles of "The Regulations" apply to enterprises in other trades under ownership of the whole people.

Enterprises under the share system and enterprises under other forms of ownership are subject to other pertinent laws and regulations.

##### 2. Problems in carrying out the provisions

In order to solve the different problems of enterprises in different areas and different trades, State Council departments concerned and all provincial, autonomous region, and directly administered municipal people's government may draft specific implementation methods; however, the methods of implementation may not violate the spirit of these provisions, nor may they abridge or retract the autonomy of enterprises that these provisions explicitly confers.

The main spirit and substance of "The Regulations" is explained here. The foregoing explanation is for the purpose of helping everyone study and understand the spirit, substance and specific provisions of "The Regulations." It is not a State System Reform Committee legally prescribed explanation of "The Regulations." It is

hoped that everyone will further study "The Regulations" diligently, thoroughly understand the spirit and substance of "The Regulations," completely and correctly carry out the provisions of "The Regulations," link them to realities, and do a good job of transforming the enterprise operating mechanism.

## FINANCE, BANKING

#### Foreign Banks To Change Banking Structure

*HK1309060092 Beijing CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) in English 13 Sep 92 p 1*

[By staff reporter Ren Kan: "Banks Change To Fuel Fast Growth"]

[Text] China's financial industry is being transformed as the nation strives to find fuel for its economic growth and begins to allow foreign banks to have access to its banking markets.

One new commercial bank, the Everbright Bank of China, began operating in August. Two others have received approval to begin operating, although they haven't set dates yet to open.

And, according to the nation's central bank, the People's Bank of China, six commercial banks that have been launched in the last five years had accumulated 83.9 billion yuan (\$15.25 billion) in assets by the end of last year.

The commercial banks, say analysts, have changed the country's banking structure, which for years was dominated by the People's Bank of China and four specialized banks.

And they have added strength to the country's financial industry as it strives to meet challenges from foreign banks swarming into China.

At present, 47 foreign-funded banking and financial institutions and 218 foreign bank representative offices have been established in China.

The commercial banks have arrived to provide an alternative source of funds to China's established banks.

They have brought with them new banking practices and management procedures that are encouraging change among the old-line banks.

Chinese commercial banks mainly supply short-term loans to domestic and foreign-funded ventures.

They conduct their business in accordance with international practices, including an emphasis on profitability in making loan decisions.

That emphasis is quite different from the established banks that are asked by the government to grant loans to enterprises that may not have the ability to repay loans.

Under China's current financial system, 80 percent of the working capital needed by Chinese enterprises is obtained from the established, specialized banks which include the Bank of China, the Industrial and Commercial Bank of China, the Agricultural Bank of China and the People's Construction Bank of China.

Officials said commercial banks have played an important role in the country's economic development.

The outstanding loans of the six newer commercial banks reached 63.7 billion yuan (\$11.6 billion) by the end of last year.

The six commercial banks are the Bank of Communications, the Merchants Bank, the Citic Industrial Bank, Fujian Industrial Bank, Guangdong Development Bank and Shenzhen Development Bank.

The new, just-approved commercial banks that haven't yet said when they will formally open include the Huaxia Bank, owned by the Shougang Group (Capital Iron and Steel Corporation), and the Shanghai Pudong Development Bank.

The Huaxia Bank is expected to support China's major steel-making corporation, which is striving to become one of the world's top 10 steel makers.

And the Shanghai bank is expected to add pep to the Pudong Development Area, which is offering preferential treatment to attract foreign investors.

Of the existing commercial banks, Citic Industrial Bank is a subsidiary of the China International Trust and Investment Corporation, which is one of China's major fund-raising entities looking outside the country.

The Bank of Communications, the country's first commercial bank, which was started in 1987, is owned jointly by the central bank, local authorities and enterprises.

#### **Drive To Clear Debts Involving Working Capital**

*OW1109222192 Beijing XINHUA Domestic Service  
in Chinese 1054 GMT 8 Sep 92*

[By reporter Zhang Jinsheng (1728 6930 0524)]

[Text] Beijing, 8 September (XINHUA)—According to information gathered by this reporter from the State Council's Office for Clearing Debt Chains, the State Council's Leading Group for Clearing Debt Chains has decided to clear working capital-related debts in the electric power, coal, nonferrous, and forestry sectors beginning in September. This move is being taken to further relieve the pressure the "debt chain" has exerted on enterprise production and operation and to help state enterprises in key economic sectors disengage those debt chains that are locking up working capital.

It is understood that the current drive to clear working capital-related debts in key economic sectors is based on

a fairly successful pilot program that was primarily targeted at the Shanghai-based Baoshan Iron and Steel Complex. The debt liquidation drive will operate on the principle of mainly targeting and helping those enterprises bent on preventing debts in a bid to clear their arrears. In terms of eligibility for joining the debt clearing activity, participating enterprises must have viable debt prevention measures, maintain a balance between production and sales, enjoy good reputations, and perform well economically. Enterprises that stockpile goods and continue to incur debts during the course of production will not be allowed to join the debt liquidation program. Debts incurred since 1991, including electricity bills, will be cleared during the current liquidation drive. The clearance program will not cover debts stemming from trade disputes, debts whose repayment deadlines have been agreed upon by the parties concerned, or payments for goods sold on commission or consignment.

According to the methods for clearing working capital-related debts in key economic sectors, a number of large and medium-sized state enterprises eligible for debt clearance will be selected from among competent departments or companies in the electric power, coal, nonferrous, and forestry sectors and designated as the first group of debt collecting enterprises. Upon acceptance of repayment obligations, debtor enterprises will be allowed to collect their own, noncumulative debts. "Consecutive debt liquidation" measures will be adopted by "allowing the collecting party to gather debts, to infuse an authorized amount of funds into the debt clearance effort, and to manage those funds through special accounts." To augment clearance results, various provinces, municipalities, and cities with independent economic decisionmaking powers will be allowed to use loans provided by the current debt clearance drive to liquidate debts consecutively before making payments under unified plans. Nevertheless, efforts must be made to ensure the timely application of those loans in clearing debts nationwide.

According to the State Council's Office for Clearing Debt Chains, the current drive to clear working capital-related debts in key economic sectors covers a wide range of areas and is rather complicated. All localities and departments should consider general interest, draw up careful organizational plans, seek uniform thinking, and build confidence. They should closely couple debt liquidation with efforts aimed at cutting production, reducing stockpiles, stopping deficits, and increasing profits. They should work unremittingly, realistically, and successfully to fuel sound economic growth.

#### **FOREIGN TRADE, INVESTMENT**

##### **Document To Stimulate Foreign Investment**

*92CE0684A Hong Kong CHIU-SHIH NIEN-TAI [THE NINETIES] in Chinese No 7, 1 Jul 92 pp 30-31*

[Article by Shih Hua (2457 5478): "The Fourth Central Document Will Stimulate More Investment; This Document Originated in a Letter From Jiang Zemin, Was

Drawn Up by Zhu Rongji and Approved by the Politburo, and Is in Four Major Parts Dealing Totally With New Reform and Opening Details; It Proposes a New All-Out Opening Order, by Expanding the Direct Use of Foreign Investment Into Fields, Such as Finance, Trade, Commerce, Communications, Tourism, Banking, and Insurance”]

[Text] Informed sources have revealed that the Fourth PRC Central Document, which was approved by the CPC Central Committee Politburo on 16 May 1992 and passed on to all levels on the 25th, proposes new measures for a different all-out opening order for Mainland China, by expanding the direct use of foreign, Hong Kong, Macao, and Taiwanese investment into industries in which foreign investment was not previously allowed, such as finance, trade, commerce, communications, and tourism, agreeing to the experimental operation of foreign-invested banks, and allowing foreign businessmen to invest in retail trade. This will obviously stimulate a greater “mainland investment craze” in Hong Kong and Taiwan.

#### The Document's Origin and Background

This “Fourth Central Document” is a CPC Central Committee official party document entitled *CPC Central Committee Recommendations on Accelerated Reform, Expanded Opening, and Striving To Elevate the Economy to a New Level Better and Faster*.

This document originated in a letter to PRC State Council Premier Li Peng from CPC Central Committee General Secretary Jiang Zemin before his 6 April visit to Japan. The letter mainly urged the State Council to draw up specific measures as quickly as possible to implement the recommendation in Deng Xiaoping’s speeches on his spring 92 tour of southern China to “speed up the pace of reform and opening, in an attempt to achieve the goal of elevating China’s economic development to a new level within a few years.” The letter said, moreover, that “this is a key task.”

The State Council began intense discussions on the matter in early- and mid-April, with Vice Premier Zhu Rongji being in real charge of the plan’s design. The document underwent two rounds of discussion by the State Council Standing Committee, was then issued to all State Councilors for detailed revisions, and was in its fourth draft by the time it was approved by the Politburo on 16 May.

The document is in four major parts with 19 recommendations. The four major parts are on converting enterprise operating forces, further expanding opening up to the outside world, doing a good job of political reform, and strengthening macroeconomic regulation and control. The second part proposes a new all-out opening order for Mainland China, which was designed by Vice Premier Tian Jiyun. In the State Council Standing Committee discussions, he recommended opening up in the coastal and border areas and all along the Chang Jiang (river), and pushing opening up on into the interior

provinces, by launching SEZ pilot projects in interior provinces and regions. These recommendations were incorporated in the document.

#### New Measures for All-Out Opening Up

How were Tian Jiyun’s recommendations finally reflected in detail in the Fourth Document? It is understood that the Fourth Document’s second part contains the following major items:

1. Opening up all along the Chang Jiang (river): This means spearheaded by the development of Pudong, Shanghai, further opening up the cities all along the Chang Jiang of Wuhu, Jiujiang, Wuhan, Yueyang, and Chongqing, by practicing in these cities the same policies that are in effect in the already opened up coastal cities.
2. Opening up in the border areas: This means opening up the border cities to form an all-round order in opening up to the outside world. In addition to the four northeastern border cities of Manzhouli, Heihe, Suifenhe, and Hunchun that the State Council declared open this spring, this involves the opening up of the nine more southwestern, northwestern, and Nei Mongol cities and counties of Pingxiang City and Dongxingzhen in Guangxi, Hekou County, Wanding City, and Ruili County in Yunnan, Ili, Tacheng, and Bole cities in Xinjiang, and Erenhot City in Nei Mongol.
- In addition, this involves implementing the relevant open-city policies in these border provinces’ capitals, such as Harbin and Changchun in the northeast, Nei Mongol’s Hohhot, Xinjiang’s Urumqi, Yunnan’s Kunming, and Guangxi’s Nanning.
- The opening up of these border provinces and cities is aimed mainly at the development of border trade, through taking advantage of the material shortages in the CIS (the former USSR), Burma, and Vietnam to supplement our trade gaps and promote our inland agriculture.

3. Practicing bolder policies to attract foreign investment and import technology to our existing SEZ’s and open coastal cities and zones, and allowing our SEZs and Shandong, Jiangsu, Zhejiang, and Fujian provinces to select one port city each to be turned into a duty-free zone.

4. Speeding up the pace of opening up in the interior zone by strengthening its links with and radiation from the coastal zones and Guangxi, and practicing the relevant open-coastal-city policies on foreign investment in the capitals of interior provinces and regions.

5. Expanding the fields of opening up to the outside world: This means that the direct use of foreign investment can be expanded into finance, trade, commerce, communications, tourism, and other tertiary industries (i.e., communications, commerce, and service industries beyond industry and agriculture). With approval, a number of cities will be allowed to each experimentally operate one or two foreign-invested banks and retail

businesses, and Shanghai will be permitted to experimentally operate a foreign-invested insurance company.

#### **Steps To Convert Enterprise Operating Forces**

The first part of the Fourth Document pertains to new steps to be taken to convert enterprise operating forces. As used here, "enterprise" refers to state-owned enterprises, particularly industrial ones. In light of the facts that most state-owned industrial enterprises have been losing money, suffering from years of declining production efficiency, and steadily building up overstocked inventories, the document particularly notes the need to emphasize the formulation of interim regulations on the conversion of operating forces in industrial enterprises.

This conversion of operating forces is aimed at making enterprises genuine commodity producers and managers. This means giving enterprises independent decisionmaking powers, of which the key ones are power over personnel and labor, wage and bonus distribution, product price-setting, investment decisionmaking, and foreign trade operations. These five powers are one that enterprises have not enjoyed because they were held by the government.

The new steps also include "firmly closing down enterprises with longstanding losses." If this step is really taken, it will mean closing down almost half of the two-thirds of losing enterprises throughout the country because they have "longstanding losses," which would create a huge army of unemployed. Thus, the new steps include "encouraging the development of tertiary industries, organizing the formation of enterprise groups, and conducting transnational operations." In other words, this means developing service industries to absorb the unemployed, and exporting labor through enterprise groups, in order to resolve the problems caused by closing down the enterprises.

The document also recommends expanding shareholding pilot projects as an "effective way" of converting enterprise operating forces, and advocates issuing stocks to the public, while strictly controlling stock offerings.

In addition, the document also recommends certain related steps to convert enterprise operating forces, such as changing government functions, and cultivating and developing market forces.

#### **Government Organizational Reform and Macroeconomic Regulation and Control**

As to government organizational reform and strengthening macroeconomic regulation and control, the "Fourth Document" recommends mostly strengthening the macroeconomic regulation and control functions of the State Planning Commission, through reducing its specific tasks. It proposes abolishing the the State Council Production Office, replacing it with a transitional State Council Economic and Trade Office, and

finally setting up a State Commission on Economics and Trade to coordinate routine economic work. It also recommends the establishment of an Agricultural and Rural Work Office to coordinate the work of related agricultural sectors.

The XINHUASHE News Agency has reported that Vice Premier Zhu Rongji has been appointed director of the State Council Economic and Trade Office. No appointment has yet been announced for director of the Agricultural and Rural Work Office.

The Fourth Document can be said to have broken free from many economic policy taboos that have existed during the last decade of reform. Moreover, as all of its more than 10,000 characters provide very real policy guidance steps, the document will enable all areas to reform and open up more boldly.

#### **PUBLICATIONS**

##### **Nanjing Evening Paper To Begin Publication**

*OW2809074892 Nanjing XINHUA RIBAO in Chinese  
16 Sep 92 p 1*

[Unattributed report: "JINLING SHIBAO' To Begin Publication Next New Year's Day"]

[Text] JINLING SHIBAO [NANJING TIMES], an evening newspaper to be published by NANJING RIBAO, will formally be available to readers on 1 January 1993. The publication of the new evening paper, decided by the Nanjing City CPC Committee, has been approved by the China Press and Publications Administration.

JINLING SHIBAO will persistently take the road of reform and strive to create the following salient features:

Strong flavor of the times—the paper will give prominence to important topics on reform, opening up and economic construction, and will promptly reflect readers' concerns about any news events in the society; wide local news reportage—its reportage will cover urban neighborhoods and rural work sites, as well as valuable daily news events in Nanjing, and strive to show a "Nanjing flavor" in its language; and clear viewpoints of the masses—the paper will be close to the people's everyday life and families in society, serve the masses, and work in the readers' interest.

JINLING SHIBAO will be published daily in a four-page quarto. Page 1 will contain important news; page 2, "Nanjing news"; page 3, "world news"; and page 4, sports and literature. Each page will contain several columns and the columns will frequently change.

JINLING SHIBAO will be distributed by post offices and be delivered to subscribers' doorstep. The subscribers will receive the paper on the next day after entering subscription.

**Prostitution, Diseases Linked to Commodity Economy**

92CM0392 *Shanghai SHEHUI [SOCIETY] in Chinese*  
No 89, 20 Jun 92 pp 38-39

[Article by Xia Guomei (1115 0948 5019)]: "Deeper Reflections on Spread of Sexual Diseases"]

[Excerpts] [passage omitted]

One day five years ago, a mother left her poor town to make a living by her wits wandering from place to place, together with two daughters only 16 and 18 years old. The mother instigated the girls, saying, "What is the most shameful thing in life? To be poor. Only by earning a lot and risking everything can one not begrudge children if they are unable to capture a wolf." Thereupon, the three of them sank into an evil abyss like a frenzied money-earning machine, staying in Madian, Luohe, Wuhan, Changsha, Nanning and on to Guangzhou. They were apprehended by the Public Security Bureau in Guangzhou and escorted home. While in custody it was found that all three had venereal disease [V.D.].

With money as the impetus, some in society forget principle in the quest for wealth. Profit is their only object. Prostitution and whoring are rampant in some hotels and guesthouses. Some prostitutes even openly use hotel in-house lines to link up with and harass clients. Those in charge turn a blind eye. One hotel manager made a revealing remark: This can raise occupancy rates! Prostitution has become a "legal" occupation in some coal mines in Shanxi and Henan. Likewise, sexual diseases run unchecked there.

For others who have a lot of money, how to spend it is the issue.

Here is how a individual household in the clothing business stated his position: I have more money than I can spend. I make more than 100,000 in one year. I eat my fill till ready to burst, I am dressed warm as can be, and have no passport to go abroad. So what is there left to do? Dally with women.

When one has a lot of money, and has had his fill of food and drink and no worries in life, he wants respect and to express himself. For some individual households who earn money just for fun and that have little education and lack in morals, spending money to dally with women has become a symbol of wealth and a means of gaining self-esteem. Therefore, it is natural that the percentage of venereal disease contraction among individual households is much higher than for other social classes. [passage omitted]

Traditional Chinese society held moral conduct in extremely high regard. Moral standards were omnipresent in the organization of society, education, and spiritual beliefs. Moral constraints on people were far stronger than legal ones.

After the founding of New China, many feudal beliefs in the traditional system of morals were weeded out, while those remaining in the people's consciousness were still strong. Even understanding the superiority of socialism requires a moral yardstick, not an economic one.

With the development of the commodity economy, the dikes of the traditional moral system have collapsed in a very short time, attacked by economic awareness and changing values. Moral concepts seen as traditional virtues for several thousand years face challenges.

Morals and values tend toward two extremes: On the one hand, new content has been added in order to catch up quickly with the needs of a growing commodity economy. On the other hand, the reappraisal and relative devaluation of traditional virtues makes some people act without restraint and go to extremes.

It is hard to believe that a young girl of only 15 years has already had a six-year history as a prostitute. Six years earlier, an ugly soul stole her virginity. Thereupon she took to vice. After contracting V.D., she refused to be treated. "I want to pass it on to those men who look upon me as cheap, to make them the same. My only joy in this life has been that I have infected so many men and that they in turn have given it to their wives, daughters, and other women." This abnormal revenge psychology has twisted her mind. It thoroughly tilts the scale of morality.

There is also the case of a 30 year old so-called "old doctor of Chinese medicine returned from abroad." One after another, sufferers of a venereal disease has come to his door, drawn by an advertisement that says, "Gonorrhea and syphilis are completely cured by taking a medicine prepared using ingredients imported from Britain and Hong Kong. Results seen the same day. 100 percent effective. The diseases will never recur." However, who knows that this peasant from a certain town in Guangdong has only a primary school education, or that he actually could not differentiate vitamin C from toxins. Such immoral swindling not only entraps the sufferers but to a large degree, also aids the spread of venereal diseases. [passage omitted]

Today's society offers ever more choices, whether people are used to seeing it or not, and whether they are used to it or not.

In the 1950's and 1960's, productivity was low. The social environment was closed and static. There was little external influence. The people's livelihood needs were simple. These factors allowed people to gradually accept uniform concepts of value and a moral outlook proposed by the state. Such value standard completely rejected individual choice. Everything was determined by society, from an individual's job, beliefs, and marriage to dress and hairstyle. Under these conditions, the state's efforts to eradicate prostitution were clearly easy, and it was difficult for venereal diseases to spread.

Now China has opened wide its doors to the world. It has given the people a new direction in values, and areas in

which one has a choice increase each day. However, people who are used to having society determine their fate obviously cannot suddenly adapt to these changes overnight. While some shout and jump for joy at the ever greater freedom of choice, others become ever more perplexed and confused. It is like walking from a dark room out into the sunshine; one's eyes are dazzled momentarily. One is fascinated, yet puzzled, as though lost at sea.

Times are changing and society is undergoing transformation. China's social environments, open or closed, and their characteristics, have been tremendously different. The peculiar environment and conditions of the 1950's and 1960's in which prostitution was eradicated and venereal diseases ousted, no longer exists. The new environment is still forming. New control measures have yet to be found. Prostitution is no longer something that life or the environment forces one to do. Today's main social psychology of female prostitutes which worships money, seeks extravagance, and detests labor means that the old three magic weapons for reforming prostitutes have lost their charms.

In the high tide of emphasizing economic returns, people have turned a blind eye toward prostitution and whoring. Prostitution is a common sight in service industries such as hotels and restaurants. Economic returns overwhelm all else.

Values have changed, people have less enthusiasm for participating in social activities, and it is now difficult to organize or mobilize the masses. "Mind your own business" has become common social psychology. Unless it affects the interests of the individual, in reality people look on all work indifferently and let evils go unchecked.

The introduction of Western culture has altered the people's views about sex. It has changed their sexual behavior. Many are "braver" than in the past. "Male-female relationships" is no longer a sensitive area among the people.

All in all, this implies that control of venereal diseases has become harder than ever before. [passage omitted]

#### New Rules for Recruiting Postgraduates

*OW0509104892 Beijing XINHUA Domestic Service  
in Chinese 0212 GMT 5 Sep 92*

[Text] Beijing, 5 Sep (XINHUA)—The State Education Commission, State Planning Commission, and Ministry of Personnel recently approved an arrangement for enrolling postgraduates next year.

To meet the needs of the new situation characterized by reform, opening up, and accelerating economic development, two reform measures will be instituted in next year's recruitment of postgraduates. The first measure centers on the regulations on planning and management of enrollment. The state will no longer conduct overall planning and management. It will merely hand down the

state enrollment plan and have recruiting units finalize the enrollment plans for entrusted training according to the needs of employment units within society, with the understanding that training conditions are guaranteed. The second measure is to have some colleges and universities collect their own funds in recruiting postgraduates on a trial basis—that is, using scientific research funds for instructors and funds earned or raised by the schools themselves to recruit and train postgraduates—with the understanding that training conditions are guaranteed.

The principle of recruiting students according to demand will still be maintained when recruiting postgraduates in 1993. The State Education Commission and other units will ask colleges and universities that recruit postgraduates to conscientiously draw up enrollment plans. They should do an especially good job in drawing up plans for directive training and entrusted training in accordance with the needs of employment units, as well as in organizing the sources from which they draw their students. The State Education Commission also hopes that various employment units, particularly large and medium-sized state enterprises, Chinese-foreign joint ventures, cooperative enterprises, exclusively foreign-owned enterprises, and village and township enterprises will vigorously encourage outstanding employees who have completed regular college courses to sign up for examinations for becoming postgraduates under the directive training or entrusted training of their respective units.

The State Education Commission also has laid down specific requirements for recommending excellent graduating college students for admission to postgraduate studies, for recommending outstanding employees for individual examinations for selecting postgraduates, and for matters related to examinations.

To avoid a conflict between postgraduate recruitment and the assignment of jobs to graduating college students, as well as to facilitate the reading of examination papers, the State Education Commission has decided to move up the sign-up and examination dates for postgraduate recruitment. The dates for signing up for postgraduate entrance examinations are 10-11 November 1992; the dates for entrance examinations (initial examination) are 9-11 January 1993.

#### Survey Shows Progress in Battle Against Illiteracy

*OW0609143292 Beijing XINHUA in English  
1405 GMT 6 Sep 92*

[Text] Beijing, September 6 (XINHUA)—A survey carried out in the country's 13 provinces and cities shows that 1.758 million people have got rid of illiteracy since last winter.

The survey shows that more than 2.5 million people took part in the anti-illiteracy campaign which started last winter.

The information was released from a national meeting marking the "International Literacy Day" which falls on September 8.

The meeting also released that northwest China's Xinjiang Uygur Autonomous Region won the "Noma Literacy Prize" of the United Nations Educational, Scientific and Cultural Organization (UNESCO) this year. This is the eighth time that China won UNESCO's literacy prize.

Wang Mingda, vice minister of the State Education Commission, pointed out that governments at all levels should work hard to wipe out three to five million illiterates each year, so that by 2000, the illiteracy rate will be reduced to less than 10 percent from 15.88 percent in 1990. The illiteracy rate of young people will be reduced to below five percent from the current 9.3 percent.

#### Public Security Ministry Acts To Stop Fake Goods

HK1409031492 Beijing CHINA DAILY in English  
14 Sep 92 p 1

[Report: "Police and Judiciary's Fakes War Shake-Up"]

[Text] The nationwide war against fake products has been given a powerful push by the country's judicial and police authorities.

They vowed over the weekend to join in the ongoing crackdown on the production and trading of counterfeit and shoddy goods.

The anti-fake campaign, first launched last year by the China Consumers Association, with the support of the Administration of Industry and Commerce and particularly the mass media, has effectively alerted the country against buying fake and shoddy products.

However, counterfeit and inferior goods persist across the country, especially in free market, as their producers and dealers push them—and largely without punishment.

In a nationwide circular released over the weekend, the Ministry of Public Security has called on police departments to investigate cases involving the production and sale of fake goods and to turn offenders over to judicial organs instead of simply letting them off with a fine.

The circular also urged for better coordination among different police departments, in order to effectively curb the spread of fake and shoddy goods across the country.

The ministry's circular also warned local police officers against sheltering such offenders in their districts for "personal reasons or in the selfish interest of local protectionism."

In a related development, the Supreme People's Procuratorate recently opened a hotline for the exposure of inferior-quality products. The hotline's number is Beijing 541850. It provides a 24-hour service to consumers.

During the first half of this year, various departments under the State Administration for Industry and Commerce (AIC) dealt with 48,900 fraud cases and closed 4,494 businesses producing fake goods, officials said. The fines they imposed amounted to 21 million yuan (\$3.9 million), according to an AIC report.

However, such producers continue to take advantage of the country's flexible business policies and invade the market. They have caused serious damage not only to consumers, but also to many legitimate manufacturers, whose brands and trademarks had fallen prey to the counterfeiters.

Fake goods are mostly found in lines like cigarettes, liquor, pesticides, fertilizers, electrical appliances, garments and TV sets.

According to Bei Dahua, AIC's vice-director, the increasing number of shoddy goods is the result of the lack of laws and regulations to mete out punishments to producers and dealers of fake goods and also because of regional protectionism in the country.

The vice-director condemned such unlawful practice and urged the whole country to join in cracking down production and sale of fake and shoddy goods across China and protect the interest of millions of consumers.

**East Region****Anhui Governor Attends Commendation Meeting**  
*OW0409061992 Hefei Anhui People's Radio Network in Mandarin 1100 GMT 2 Sep 92*

[From the "Provincial Hookup" program]

[Excerpt] The Anhui Provincial People's Government held a meeting in Hefei this morning to commend the Huangmei Opera Troupe for performing a stage version of the "Red Chamber Dream" and prize-winning performers.

Present at the commendation meeting were Fu Xishou, governor of the province; Yang Yongliang, deputy secretary of the provincial party committee; Ying Yiquan, vice chairman of the provincial people's congress standing committee; Xu Leyi, vice chairman of the provincial committee of the Chinese People's Political Consultative Conference; Du Yijin, vice governor of the province; and responsible comrades of the organization and propaganda departments of the provincial party committee and of the provincial culture department.  
[passage omitted]

**Jiangsu Governor Meets With Artists, Writers**  
*OW2709212592 Nanjing Jiangsu People's Radio Network in Mandarin 1015 GMT 25 Sep 92*

[From the "News" program]

[Excerpts] Comrades Shen Daren, Chen Huanyou, Sun Jiazheng, Gao Dezheng and other provincial leaders separately took part in group discussions with the congress of the provincial Federation of Literary and Art Circles and the congress of the provincial Writers' Association this morning. Viewing writers and artists as friends, they placed full confidence in them, had heart-to-heart talks with them, and listened carefully to their views on ways to make Jiangsu's literature and art thrive.

Shen Daren, Gao Dezheng, and Wang Xialin took part in the group discussion held by the delegation from the provincial journalists association. [passage omitted]

After carefully listening to the remarks of the participants, Shen Daren and Gao Dezheng said: We have gained much from your viewpoints and suggestions today. We must accelerate the pace of reform in our literature and art organizations. We must adopt preferential policies to encourage drama troupes to stage paid performances and engage in tertiary industries. Drama troupes must not rely on financial subsidies alone; they must rely on reform and blaze a new trail of development. From now on we must implement, without exception, the six measures put forward by the provincial party and government. We must make an effort to bring prosperity to Jiangsu's literature and art. Just as Jiangsu's economy has developed, its literature and art will also develop.

After listening to the remarks of Gu Ertan, Fu Shiyuan, Zhang Xian, An Qing, Chen Liao, Hai Dao, and other authors, Governor Chen Huanyou said: To make literature and art thrive, it is important to uphold the policy of letting a hundred flowers blossom and a hundred schools of thought contend. Only by upholding this policy can literature and art take on a new life.

He said: A variety of conditions are required to make literature and art thrive. Foremost among them is the creation of a sense of security to enable writers to write down what they have seen and thought in a relaxed atmosphere. Only under these circumstances can they create fine works.

Governor Chen pledged that the provincial party and government will do their best to provide writers with better service.

In his remarks, Comrade Sun Jiazheng hoped that writers would go deep into life, take part in the great tide of reform and opening to the outside world, and use their pen to truthfully reflect the encouraging characteristics of the times.

**Central-South Region****'Convicts' Reported Executed in Guangzhou, Shantou**  
*HK2809061792 Beijing ZHONGGUO XINWEN SHE in Chinese 1325 GMT 26 Sep 92*

[By reporters Mo Fei (5459 7236) and Lin Kunming (2651 2492 2494): "Guangzhou, Shantou Execute a Number of Offenders"]

[Text] Guangzhou, 26 Sep (ZHONGGUO XINWEN SHE)—A number of convicts who had committed serious crimes were sentenced to death in Guangzhou and Shantou today and yesterday.

A total of 31 criminal convicts were executed in Guangzhou today. These convicts were prime culprits of malevolent and serious criminal cases which had happened in the past few years in Guangzhou, such as robberies, burglaries, willful injury, and rapes, and most of the convicts had grouped together to commit crimes. For instance, a robbery gang headed by Xu Xuebiao from Liaoning had eight members who came from Benxi and Liaoyang, Liaoning Province, and Xinhui and Xingning, Guangdong Province, since 1989. They had broken into houses and committed robbery 30 times, using knives as their weapons. They had taken more than 609,000 yuan, more than 30,000 Hong Kong dollars, gold ornaments, wireless telephones, color television sets, video recorders, and a great deal of property. They had tied up more than 90 victims, among which 16 had been stabbed and beaten.

A total of 16 convicts who had committed serious crimes were executed in Shantou City yesterday. These convicts were ferocious persons who had committed many armed

robberies, waylaid others unscrupulously, and plundered, raped, and killed others. For instance, She Dongkai, a convict, committed a number of crimes in the urban districts of Shantou City since he purchased a gun last July. At 2 am or so in 29 July, She and his accomplices took guns around the bus terminal in Shantou and robbed four young women who were having midnight snacks. Xu Luchun, staff officer of a certain unit of the PLA forces stationed in Shantou, was passing by at that moment, and he moved towards the robbers and tried to stop them immediately after he discovered what was going on. To Xu's surprise, She fired a shot at his chest, which wounded him seriously.

#### Guangzhou Court Sentences Railway Criminals to Death

HK3009001292 Beijing ZHONGGUO XINWEN SHE in English 1323 GMT 29 Sep 92

[Text] Guangzhou, September 29 (CNS)—An intermediate court responsible for handling railway crimes in the Guangzhou Railway Administration's jurisdiction held two separate court hearings today in Guangzhou and Hengyang, Hunan Province, and sentences were handed down on 27 criminals involved in seven cases. Twelve of the defendants were found guilty of serious crimes and were sentenced to death.

The court held similar meetings in Hainan, Changsha, and Huaihua on September 22 and 26, when a total of eight criminals were sentenced to death.

The two-tier court responsible for dealing with railway crimes has, since the beginning of this year, convened 18 sentencing hearings settling 70 criminal cases of murder, robbery, and serious theft. These cases involved 351 suspects, 93 of whom were found guilty and sentenced to capital punishment, suspended death sentence, and life imprisonment.

#### Macao Governor Visits Hubei

HK0209050692 Wuhan Hubei People's Radio Network in Mandarin 1000 GMT 1 Sep 92

[Text] Macao Governor Vasco Rocha Vieiria and his two-member entourage including his wife were in Hubei 27-31 August for a visit and holiday.

The guests visited Zigui, Yichang, Jingzhou, and Wuhan City.

Vice Governor Han Hongshu met with the governor and his company at the Qinchuan Hotel on the evening of 30 August. He briefed the guests on Hubei's basic conditions and hoped friends at home and abroad would come to Hubei to promote cooperation and exchanges.

Governor Vieiria spoke highly of the brilliant culture on China's hinterland and hoped Hubei would vigorously conduct external propaganda so that more people would

understand Hubei. He also said he would encourage Macao's businessmen to come to Hubei for a visit and investigation.

After the reception, Han Hongshu gave a banquet in honor of the governor.

While in Wuhan, the guests visited the Huanghe Mansion, Guiyuan Temple, Hubei Museum, and Chang Jiang Bridge.

#### SOUTHWEST REGION

##### Tibet Promotes Use of Science, Technology

OW2709113492 Beijing XINHUA Domestic Service in Chinese 0513 GMT 26 Sep 92

[Article by XINHUA reporters Wu Huaguo (0702 5478 0948) and Luobu Ciren (5012 1580 2945 0088): "Science and Technology Spread on the Roof of the World"]

[Text] Lhasa, 26 Sep (XINHUA)—Application of modern science and technology in Tibet, the roof of the world, is an extraordinary event. Since the application of science and technology, the old, snowy land on the plateau has shown great vitality as if it has received a new blood transfusion.

##### Leaping Out of the Confines of a Backward Economy

Modern science and technology are almost a blank in the written history of Tibet. With a per-mu grain yield of only 56.4 kilograms and rampant livestock diseases, its agriculture and animal husbandry always remained in the confines of a backward economy.

The agreement on the peaceful liberation of Tibet was signed on 23 May 1951, and people will always remember that date. After that day, a Tibet work team, composed of several dozen soil, plant, weather, animal husbandry, and veterinary experts, entered snow-bound Tibet with the Chinese People's Liberation Army, bringing the twilight of modern science and technology to the roof of the world.

Since then, agriculture there gradually walked out of a dead end, with improvement in the traditional mix of agricultural crops. In the past, Tibet yielded only about a dozen agricultural crops, including highland barley, wheat, potatoes, turnips, and cabbage. In the 1950's and 1960's, agricultural scientists introduced to Tibet 42 kinds of agricultural crops and plants, with more than 870 varieties, successfully grown in experimental farms built on reclaimed land. While there were no winter crops in Tibet in the past, agricultural expert Wang Yushan overcame difficulties and helped the people in Gyangze County, which is 4,000 meters above sea level, to grow winter wheat successfully in the 1970's. The county has set a new national record in per-mu yield of winter wheat and its grain output increase has accumulated to a total of 1.5 billion kilograms, deserving to be praised forever in the history of Tibet's agriculture. At

present, more than 40 fine strains of seeds are being widely used in Tibet. Since the beginning of the 1980's, 64 sets of standard techniques for selection of fine seeds, cultivation, and care of highland barley and wheat crops have passed state appraisal and been popularized in Tibet. In 1991, fine seeds were sown on 2.15 million mu, or 82 percent of all cropland, and the per-mu grain yield was 84 kilograms, a 230 percent increase compared with 40 years ago.

In animal husbandry, Tibet has successfully eradicated major animal diseases and increased the number and improved the quality of its livestock. Its first serum plant set up in Lhasa's northern suburbs in the 1960's are developing and producing many kinds of vaccines, putting an end to such animal diseases as cattle plague and hoof-and-mouth disease, and bringing about an unprecedented livestock increase in Tibet. In 1991, the region had 23 million head of livestock, a net increase of 285 percent over 40 years ago. At present, Tibet's per-capita number of livestock ranks first among all provinces and autonomous regions in China.

#### **Marching Towards a Modern Industrial Civilization**

The scientific and technological blank caused serious backwardness in the energy industry and transport in old Tibet. In 1950, the region had only a 125-hp, British-made hydro-power generator which was for the exclusive use of the Potala Palace, and a several-thousand-meter-long highway between the Potala Palace and Luobulinka (the Dalai's summer palace). The entry into Tibet by a large number of highway, hydro-electric power, and geological experts has opened up a new chapter of the history of Tibet's energy industry and transport.

In the 1950's, the Sichuan-Tibet and Qinghai-Tibet highways successively opened to traffic. In the 1960's, the Duodi, Najin, and Bayi hydroelectric power stations were completed. In the 1970's, some exploitable chromium, copper, and borax deposits were discovered. In the 1980's and 90's, new energy sources, such as geothermal energy, solar energy, and wind power, were developed one after the other.

Factories have been built where there used to be wilderness or remote, backward places. Statistics show that Tibet in as short as 40 years has set up more than 300 light industry, textile, chemical industry, machinery and electrical appliances enterprises and their total annual output value amounts to 400 million yuan.

It was amid this rapid current of industrialization that Lhasa, an old city, became a modern city. Now, Lhasa's broad streets are lined on both sides by high buildings and carrying heavy traffic. As many as 100 industrial and mining enterprises and as many as 10,000 retail outlets are scattered around its suburbs. Its international airport, where large passenger airplanes can land and take off, and the satellite telecommunications network have linked the plateau to the rest of the world.

#### **Highland Science and Technology Attract Worldwide Attention**

While highland science and technology are promoting economic development and progress among nationalities in Tibet, science and technology themselves are becoming unprecedentedly prosperous there. The region now has 14 scientific research organizations for highland agriculture, animal husbandry, weather, energy, transport, geology, mining, and medicine, as well as more than 40 mass academic organizations. With tens of thousands of scientists and technicians, Tibet has made a large number of major scientific achievements. According to a statistics, scientific and technological departments at various levels have completed nearly 2,000 highland scientific and technological projects in the last 40 years. Of those projects, introduction of new wheat strains, research on the black road surface of the Qinghai-Tibet highway, and 43 others have won state awards for scientific and technological progress; and 344 are winners of autonomous regional awards for scientific and technological achievements.

Highland science and technology, gradually developed in the course of practice and dealing with the unique situation of the Qinghai-Tibet Plateau in environment, weather, animals, plants, geology, and energy, have been attracting more and more attention at home and abroad. Highland geology is regarded by people as a golden key for solving the mysteries of the earth. Highland meteorology is an indispensable part of global weather observation and research. In addition to filling China's void in new energy sources, highland geothermal energy and solar energy research has also provided useful experience to the world in shallow-level, low-temperature geothermal electricity generation.

The Qinghai-Tibet Plateau today has aroused international enthusiasm for scientific study and research. Thousands of Chinese experts and scholars meet and conduct academic studies here every year. The United States, Britain, Austria, and other countries have requested scientific and technological cooperation with our country. So, highland science and technology are displaying broad and fascinating prospects of development.

#### **Evidence of Tang Dynasty-Tibet Ties**

*OW2609123692 Beijing XINHUA in English  
1043 GMT 26 Sep 92*

[Text] Tibet, September 26 (XINHUA)—A cliff carving with inscription by Chinese diplomats to India 1,200 years ago has been discovered in the Tibetan Autonomous Region.

Archaeologists say the inscription consisting of 120 characters was carved on the cliff in the period from 690 to 705 during the reign of Empress Wu Tse-tien, China's first woman ruler.

The discovery, which was made by Huo Wei, associate professor of archaeology at Sichuan University, Li Yongxian, a lecturer and two other archaeologists, is another example of the close ties between Tibet and central China in ancient times.

The cliff carving, discovered near the county town of Gyirong, is about one meter long and 0.7 meter tall.

The inscription carved in Chinese said it was to certify that an official from the Tang Dynasty has been authorized to visit India. The party arrived from Chang'an after enduring numerous hardships and, impressed by the beauty of the land, left the verses as a memorial to the occasion.

According to the archaeologists, the cliff carving was made during the time when Princess Wencheng from the Tang Dynasty, who married the king of the Tibetan regime in ancient China, was still alive.

The diplomats of the Tang Dynasty went to India via Tibet to prove the close relations between the Tang Dynasty and Tibet, the experts said.

As many channels linking Chang'an, the capital of the Tang Dynasty, and India existed then, the choice of Tang diplomats going to India via Gyirong County proved that the county was already an important official channel of the Tang Dynasty.

Experts said the cliff carving is the oldest one of its kind discovered in Tibet.

**Former Kuomintang Official Interviewed on Ties**  
**OW2409003692 Beijing XINHUA Domestic Service**  
**in Chinese 0749 GMT 23 Sep 92**

[“Newsletter” report of interview with Li Huan, former president of the Taiwan Executive Yuan, by Duanmu Laidi (4551 2606 0171 1229) in Taipei on 10 September]

[Text] Beijing, 23 September (XINHUA)—The morning of 10 September was a fine day, with fresh air right after a rain in Taipei. This reporter, accompanied by Taiwan scholar Ouyang Zhengzhai, interviewed Li Huan, member of the central standing committee of the Kuomintang and “senior adviser to the president,” at the Overseas Youth Center on Xinhai [Hsin-hai] Road.

Li Huan, wearing a dark gray suit and a light-colored striped tie, warmly received interviewers in a parlor. The room, approximately 30 square meters in area, was decorated with a Chinese painting entitled “Having a Bright Future,” a wooden figurine of an old man carrying a heavy burden, and a leather figurine of an old man with half-closed eyes. Li Huan, full of energy, came straight to the point and said: “I have several other appointments originally scheduled for this morning, but I have rescheduled them.”

Our conversation began with the topic of qualified personnel. Mr. Li Huan, who was a university president and “minister of education” in the past, told about his 40-plus-years of experience in working with youths and in educational work. He said: “Qualified personnel is the country’s most important resource. Particularly in Taiwan, where natural resources are scarce, all construction projects rely on the cultivation of qualified personnel.”

Mr. Li Huan, 76, is described by the news media as “a hermit who is concerned about state affairs.” In earlier years, he served as secretary general of the Kuomintang and “president of the Executive Yuan.” Having stepped down from those high posts, he still has influence in Taiwan’s political circles that cannot be overlooked. This reporter asked him about his view on cross-strait relations. He talked on and on, recalling his following of Mr. Sun Yat-sen’s thinking on the three-people’s principles in his youth and Chiang Ching-kuo’s lifting of the ban on people from Taiwan visiting relatives on the mainland in 1987. He said: “His decision has led to more and more exchanges between the two sides today. This is a very good phenomenon. I hope that this trend will continue.”

[Duanmu] “Growing cross-strait relations is a trend.”

[Li] “You are right.” “In addition to economic exchanges, it is even more important that that amount of cultural exchanges is increasing daily and the scope of the exchanges is growing.” “Regarding political questions that people often discuss, they cannot be solved overnight. Because the two sides hold different positions,

they must promote mutual understanding and resolve misunderstandings gradually. I am optimistic about the country’s reunification.”

[Duanmu] “The two parties must sit down to talk in order to resolve misunderstanding and promote mutual understanding.”

[Li] “Now Ku Chen-fu will meet with Wang Daohan. This is the first step in contact. Such contacts will become more frequent and will occur at higher levels later.” “We are all Chinese and hope for a happy and bright future for China.”

During the two-hour interview, Li Huan said emotionally more than once: “I am Chinese.”

On cross-strait cooperation, quick-witted Mr. Li Huan said zealously: “Taiwan lacks the market, manpower, and land that the mainland possesses. However, Taiwan has the experience in compulsory education, personnel training, advanced management techniques, and economic development. If we combine the software of Taiwan with the hardware of the mainland—plus the Chinese people’s wisdom, traditions, culture, and notion of serving mankind—we certainly can make important contributions to the progress and prosperity of the society in the future.” “We will play an important role in the world.”

Li Huan held: “The 21st century will be a century of the Chinese people. It is a century for us Chinese people to display our wisdom, culture, and strength to help with world progress, not a century for us to swagger around.” “In the past, this would sound like ‘day-dreaming’; now, we may describe it as a dream that can come true.” He was full of confidence in his talk. He said that he had been invited to visit the Philippines on 18 September and would deliver a lecture there entitled “A Dream Comes True.” The lecture deals with Confucius’ viewpoint of regarding state affairs as one’s own duty.

Li Huan, originally named Li Hsi-chun, was born to a well-to-do family in Wuhan, Hubei. He is the third among nine siblings. All his siblings are dead now except his sixth sister, Li Xiying, who is residing in Shanghai. When asked whether he plans to visit his native town, Li Huan said: “If I go there now, people on both sides will be surprised. I must wait a while.”

[Duanmu] “I am sure that you want to go back for a visit. As the saying goes, falling leaves settle on their roots. People are bound to think of their relatives and native towns.”

[Li] “You are right, but the time is not yet ripe.” “As the mainland is my country, I of course am longing for it very much.”

After the interview, Mr. Li and this reporter had a photo taken together to mark the occasion. The sun was mild outside the building. I was thinking on my way back that it would be a dream coming true if Mr. Li Huan could come back soon to visit his native town.

### Copyright Law Impacts Entertainment Business

92CE0664A Taipei CHO-YUEH /EXCELLENCE/  
in Chinese No 96, 1 Aug 92 pp 100-103

[Article by Ch'iu Mei-chen (8002 5019 3791); "Love and Hate in the Cultural and Entertainment Businesses"]

[Text] The Legislative Yuan's Conference Room Number 1 is jam-packed for a public hearing on the new copyright law.

### Big Commotion in the Entertainment and Cultural Business

Speaking in not very fluent Mandarin, Lu Hua-ching, the owner of the Video Disc Exchange Center in Yunchia Prefecture, is telling the legislators, news bureau officials, and Ministry of Interior officials on the rostrum that "My shop's video discs were bought with loans. I don't understand the law, but I hope that the business that I built with hard work will not suddenly become an illegal business!" Other business owners from elsewhere throughout the province frequently nod their heads in agreement.

The new copyright law stipulates new entertainment regulations. The age of copyrights to the fore, users paying a fee, has been formally declared to be on the way. This has set off a great commotion in the entertainment and cultural business.

The rise and fall of businesses is at stake. On the one hand, the law has raised the power of the book publishing rights agents to a peak, while it has brought the formerly much crowded MTV and video disc exchange centers to the verge of extinction. One MTV owner agitatedly denounced the government's forceful ban as "intentionally requiring more than 100 MTV's throughout the province to close their doors overnight."

In addition to MTV, others to which the copyright law has delivered a powerful shock are the 400 video disc exchange centers located throughout the province. Since the Information Bureau has prohibited parallel imports of video discs (translation: prohibition of the importation of cheap imitations or reproductions) in accordance with Section 3 of Article 87, the video disc import business, which used to amount to more than NT\$24 million per month, has become an illegal business overnight, and the 400 video disc centers throughout the province are facing a discontinuation of their sources of supply. That this provision, which "passed without dissent" in the Legislative Yuan, turned out to pack such a destructive wallop surprised even Legislator Lin Chi-chia [2651 1807 0857], who was one of the original supporters of the copyright law.

Before it was sent forward [songshen 6623 1399], "7,000 statements" had been made about it said Lin Chi-chia with resignation. "But it still has so many problems."

### "Publishing Rights" Businesses: A Scene of Prosperity

Actually, the problems go beyond this. When the new law was first promulgated and put into effect, the courts could provide no precedents for the business world. Even officials in charge in the Ministry of Interior's Copyright Committee could only guess or speculate equivocally about the intent of some ambiguously worded provisions. Faced with an unending stream of challenges from every trade and profession, Copyright Committee chairman Ho Yu-ts'an [0149 6877 3881] said, "We can only speak for the Ministry of Interior. We cannot guarantee that when they render decisions the courts will adopt the same point of view as the Ministry of Interior."

In the midst of the turmoil, the only thing that is certain is that all businesses that have anything to do with publishing rights, such as publishing rights agents, those who collect publishing rights royalties, etc., have good prospects.

How to obtain a legal publishing right will be the main battle ground in the forthcoming commercial war in the publishing business. Ch'en Li-li [7115 2780 5461], chairman of the board of the Big Apple Publishing Rights Arbitration Company, was overjoyed about this turn of events. Big Apple got into the publishing rights agent business six years ago, and it has contact with nearly 900 noted publishing houses worldwide. It was not until recently, however, that Ch'en Li-li felt that the market was beginning to warm up.

### Publishing Rights War Just Getting Started

Especially, as competition in the publishing business more and more reaches white heat, the amounts paid as business expenses in advertising or promoting the sale of books go higher and higher. Consequently, foreign language books having "good sales prospects," or that may become best sellers have become the darlings of publishers. It is anticipated that the publishing rights agent war will become increasingly fierce.

In a recent publishing agent rights war, Big Apple opened sealed bids in May 1992. Authors John Naisbit's [and Patricia Aburdene's] book, *Megatrends for Women*, was bid on by Chung Hua, Nungnung, Maitian and Taiwan Television Culture, the publishing rights price steadily ratcheting upward. Finally Taiwan Television Culture made the winning bid at the "best price" of \$25,000. This amounts to the royalty payments on 40,000 copies. In 1991, the publishing rights for *Great Reckoning* amounted to less than \$10,000, but now the price has suddenly risen. Ch'en Li-li observed that this is merely the prelude to a whole series of future publishing rights wars. The publishing rights war in the book publishing market has just begun. In the sound publishing market, talks are being conducted feverishly between all the groups responsible for arbitrating fees to be collected for public broadcasting and several major media.

Accounts of the talks between the Association of Recording Copyright Holders (ARCO) and China Television have appeared in all the newspapers. Initially,

China Television rejected the association's proposal to collect a 1 percent fee on sales (amounting to NT\$3 million a year), thereby stalemating negotiations. ARCO rallied 14 members under its banner (including the Rolling Stones and the Flying Saucers record companies) to have their singers refuse to appear on China Television channels. ARCO Secretary Li Jui-pin [2621 3843 2430], who is in charge of the current negotiations, said that "this is probably the first time since television broadcasting began that singing stars have not gone to the television station to perform."

Since 14 record companies are jointly conducting a boycott, big name singing stars have been a rare sight on China Television channels since May. As a result, the appeal of the former performing arts programs has dimmed appreciably. Everyone is wondering when this stalemate will end.

#### **Payment for Use Creates Rich Writers**

As an agent of recording copyright holders (most of which are for records), ARCO collects a users fee. As an agent for lyricists and composers, the Republic of China Copyright Holders Association collects a users fee of \$NT158 per five minutes from television and radio broadcasting stations.

The Copyright Holders Association has been collecting fees for four years. Because of the high broadcasting frequency of songs used in commercials, serial dramas, and cartoon films, these regularly account for a substantial amount of the revenue that lyricists and composers receive as a result of the Association's monitoring.

This new fee collection system will make artists even more anxious to spare no effort to take active part in singing for commercials. A look at the use of Association recordings in 1979 shows the 34 year old Shih Hsieh-yung [0670 2355 0737] to head the list of singers with an income of NT\$2.2 million. In other words, during that year, Shih Hsieh-yung's songs were broadcast over the media 13,920 times.

Just what kind of songs does the media broadcast so frequently? Naturally, it is songs for commercials. Shih Hsieh-yung was the author of MacDonald's main theme in 1979. In addition, the songs used earlier in commercials or the melodies at the end of CF films for Cathay Life Insurance and Paolida B, and more recently for Ch'i-meng-tzu [phonetic] came from his pen. As one of just a few expert commercial song writers in Taiwan, he is able to create 10 songs for commercials each month. "Writing songs for commercials to make money leaves extra energy for artistic work" is the view he now holds.

#### **MTV in Mortal Danger and Striving To Survive**

In contrast to the prosperous situation of publishing rights agents and commercial song writers is MTV, which rode high for a time, but is now verging on extinction. Caught in a pincer between the provisions of

Bill 301 and the new copyright law, some businesses whose lives are threatened are launching a counteroffensive.

After being wiped out by the News Bureau in May, the formerly crowded Solar System closed its Hsin-i and Nan-ching Road stores. Wu Wen-chung [0702 2429 0022] of Solar System said with ill-concealed exasperation that he is raising money to sue the American firm, Pata [phonetic], which engineered this ban, and that he intended to have it out with Pata. Although his MTV kingdom has disintegrated, this adventurer declared with full confidence in August 1992 that he will advertise heavily in the newspapers to stage a comeback.

Another group of MTV Association members headed by yinglu [1758 4151] head, Liu Ch'üng-sen [0491 8825 2773] has decided to make all formerly illegal video tapes and video discs legal. The association has reached an agreement on prices on independently made films with American firms other than Pata, signing nearly 100 publishing rights for films at NT\$1,400 per copy plus NT\$750 in rights fees [quanli jin 2938 0448 6855]. "If only we can buy them, we are willing to pay the fees."

Nor has Liu Ch'üngsen given up on continued discussions with Pata, the American firm. He hopes to revive his prestige through legal agent channels at an early date.

In addition to creating a re-division of forces in the cultural entertainment business, the final question providing food for thought that the new law raises is whether this new copyright law, which boosts and will encourage local talent, will really satisfy local writers.

Noted composer Li T'ai-hsiang's [2621 3141 4382] agent, Li T'ai-kang [2621 3141 1660], obviously does not yet appreciate the good intentions of the new law.

Inasmuch as older brother Li T'ai-hsiang is currently in a situation in which he does not know where the next meal is coming from, Li T'ai-kang candidly criticized the new law's protection of publishing rights and even copyrights. He said that the ones who benefit are the publishing rights agents and not the writers. He used Li T'ai-hsiang's famous work, "The Olive Tree" as an example. After having sold the publishing rights earlier to Hsinke Records for NT\$2,000, Li T'ai-hsiang does now even have the right to revise the original song. Li T'ai-kang said resentfully; "This is an unequal treaty," and the new law does not help right past injustices.

#### **All the People Pay the Price for Marketing Intellect**

Additionally, following the ratcheting upward of publishing rights sale prices, which represent the authors' intellectual property, the manufacturing costs of both books and sound publications will rise as well. These costs will ultimately be reflected in the consumer market. Right now, the recording business is preparing yet another price rise. Price rises will be announced for video discs, sound tapes, and even cinema tickets.

Future consumers, it is feared, will have to pay a higher price for intellectual property.

The costs in marketing intellect are borne by all society.

**New Canadian Envoy Arrives in Taipei**

*OW2309213792 Taipei CNA in English 1514 GMT  
23 Sep 92*

[Text] Taipei, Sept. 23 (CNA)—Canada's new representative to the Republic of China, Ronald Berlet, arrived here Wednesday to head the Canadian Trade Office in Taipei (CTOT).

Berlet is the first high-ranking career diplomat sent by Canada to represent it in Taipei since the two countries suspended their diplomatic relations in [word indistinct].

Before coming to Taipei, Berlet was minister for commercial and economic affairs at the Canadian High Commission in London. His previous appointments

included counsellor in New York and London, consul general in Hamburg, and director-general of the Bureau of Technology and Investment Development at the Department of External Affairs and International Trade.

Ministry of Foreign Affairs officials said the appointment of a career diplomat as Canada's representative to Taipei will help further strengthen relations between the two counties.

Observers here said the appointment indicated that Canada is paying more attention to its substantive relations with the Republic of China on Taiwan.

Trade between the two countries totaled US\$2.6 billion last year, with an imbalance of US\$600 million in Taipei's [words indistinct] the figure is expected to go up further this year.

As trade increased, the [words indistinct] Taiwan tourists [words indistinct] Canada also surged to over 30,000 last year.

**PAI HSING To Keep Independent Editorial Line**  
**HK1509081792 Hong Kong THE STANDARD**  
*in English 15 Sep 92 p 5*

[By Agnes Cheung]

[Text] Hong Kong's PAI SHING [PAI HSING (THE PEOPLE)] magazine will maintain its independent and critical editorial line in covering Hong Kong and China affairs despite the injection of capital by a local adviser to the Chinese government, its director said.

Business tycoon and an adviser to Beijing on Hong Kong affairs Tsui Tsin-tong has injected money into Pai Shing, which has suffered from financial problems and a decrease in circulation. The magazine's chief editor Hu Chu-jen, who has been critical towards Chin', has already stepped down from the editorship because of poor health.

Pai Shing's director Lu Keng said that despite the changes, the magazine would uphold its principle of not being attached to any political parties. Pai Shing is the latest political analyst magazine in Hong Kong which has had a reshuffle in ownership. Since the 4 June crackdown on the pro-democracy movement, China had banned Pai Shing from sending reporters to cover important meetings on the mainland several times.

Although the new investor to the semi-monthly Mr Tsui has a close relationship with Beijing, Mr Lu said the magazine did not need connections of any particular person to assist its coverage in China.

According to a notice on the magazine's reorganisation, Mr Tsui, chairman of the CNT [expansion unknown] group, was invited to add capital to Pai Shing.

Mr Hu's former student, Lau Chi-sun, who had been an editor of the literary supplement of the pro-Beijing New Evening Post, will take over the reins of chief editor. Although he had been with the pro-Beijing evening newspaper for five years, Mr Lau said that had nothing to do with his appointment as the magazine's chief editor.

#### Mainland Security Liaison To Assist During Transition

*OW0509120592 Beijing XINHUA in English  
1137 GMT 5 Sep 92*

[Text] Beijing, September 5 (XINHUA)—The Interpol division of the China State Central Security Bureau plans to send its liaison officer to Hong Kong in the next few days.

This will mark the first time Chinese security departments have assigned staff outside the mainland.

Bureau Director Zhu Entao made the announcement today while briefing reporters on the development of cooperation between the police from the Chinese mainland and Hong Kong.

Informed sources report that the liaison officer is being sent to Hong Kong at the request of the Hong Kong police. The move is seen as an effort to strengthen ties and improve cooperation between the police departments in Hong Kong and on the Chinese mainland.

The liaison officer will be assigned to work closely with Hong Kong police concerning security matters during the transition period, as well as to exchange information on criminal cases, and other matter requiring urgent investigation.

"The security of Hong Kong is not simply the concern of people in Hong Kong, but also of people of the mainland, and maintaining stability and prosperity is of the upmost importance," said Zhu, adding that a prosperous and stable Hong Kong is of great significance to China.

The director said his bureau and Hong Kong police have held 15 working meetings in recent years, both in Beijing and in Hong Kong.

He said they have exchanged information, studied criminal tendencies, and aided each other in investigations.

Zhu noted that, between March and May of this year, police on the Chinese mainland assisted their counterparts in Hong Kong or with the information provided by the Hong Kong police, arrested six individuals suspected of forging credit cards and identity cards, and robbery.

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